



SHOPPING FOR A BARGAIN

How the purchasing practices of clothing brands in
Australia impact the women who make our clothes

WHAT SHE
MAKES

IS KEEPING HER IN POVERTY



OXFAM
Australia

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IMAGE (RIGHT): Dhaka, Bangladesh: Garment workers cross a street on their way to work. Photo: GMB Akash/Panos/OxfamAUS.

COVER IMAGE: Dhaka, Bangladesh: Portrait of Parvin* who has been working in the textile industry for 18 years. Photo: Mohammad Rakibul Hasan/OxfamAUS.

**Name changed to protect identity.*

BACK COVER IMAGE: Dhaka, Bangladesh: Garment worker Rita* holds a sign that reads “Pay a living wage” at her home in Dhaka. Photo: Fabeha Monir/OxfamAUS.

**Name changed to protect identity.*

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OXFAM RESEARCH REPORTS

Oxfam research reports are written to share research results, contribute to public debate and invite feedback on development and humanitarian policy and practice. This is the fourth report in a recent series on living wages in the garment industry, following the handbook *A Sewing Kit for Living Wages* (2017), the report *What She Makes: Power and Poverty in the Fashion Industry* (2017), and the report *Made in Poverty: The True Price of Fashion* (2019).

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ABOUT OXFAM

At Oxfam, we believe all lives are equal and no-one should live in poverty. We join forces with people who share this belief, to empower communities to build better lives for themselves. We are there on the ground, not only to save lives in times of crisis, but also to develop lasting solutions. Our work spans wide because there are many causes of poverty. That's why we're also in front of decision-makers, governments and corporations, and speak out on the big issues.

ABOUT THE RESEARCH TEAM IN BANGLADESH

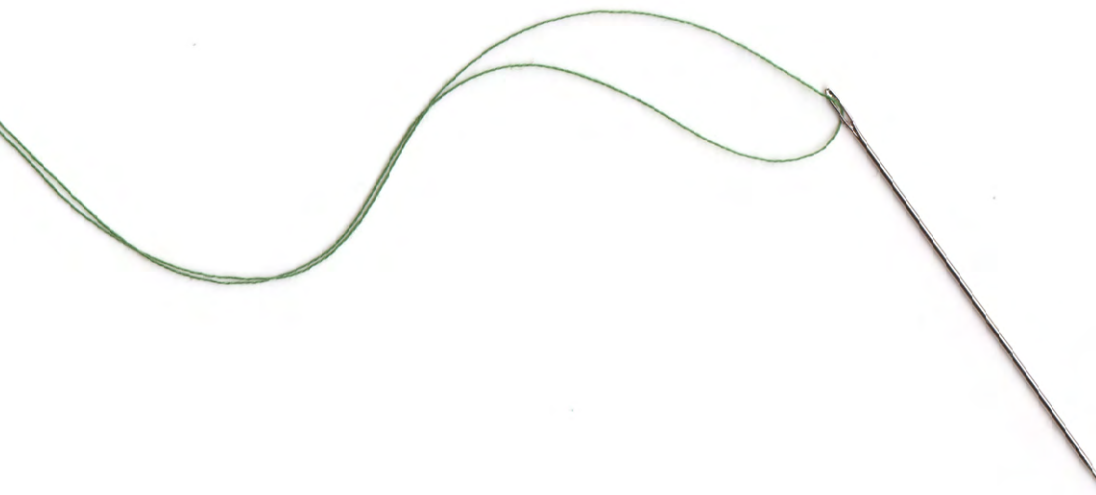
This research was conducted by a pool of experienced researchers based in Dhaka, Bangladesh led by Dr Kazi

Mahmudur Rahman, Associate Professor at the Department of Media Studies and Journalism (MSJ), University of Liberal Arts Bangladesh (ULAB) and co-led by Dr Sumon Rahman, Professor, MSJ, ULAB. ULAB is a private liberal arts-based University in Bangladesh, known for its research-intensive approach towards gaining knowledge, hence, offering multiple research opportunities for both its faculty members and students. The lead researcher of this study has worked for over 18 years in research and publication on the issues of the ready-made garment industry. In addition to two core team members, two core analysts, one statistician and one quantitative research expert have immensely contributed to the various phases of this research and publication.

ABOUT MONASH UNIVERSITY AND PARTNERSHIP WITH OXFAM

Monash University is a public research university based in Melbourne, Australia. It was founded in 1958 and is the second oldest university in the State of Victoria. Monash is home to major research facilities, including the Monash Business School, Monash Law School, the Australian Synchrotron, the Monash Science Technology Research and Innovation Precinct, the Australian Stem Cell Centre, Victorian College of Pharmacy, and over 100 research and co-operative research centres.

The Oxfam-Monash Partnership is built on a simple idea — by working in partnership, we can achieve more than working alone. With development organisations and academic institutions both having a significant role to play in reducing poverty and developing our world, Monash and Oxfam teamed up to drive exciting initiatives — and make sure the positive work that's being done has optimum impact. By combining the research and academic excellence of Monash with Oxfam's ground-level expertise, action research programs are empowering communities and supporting positive change in a number of countries. The Monash research team from the Department of Management led by Professor Amrik Sohal includes Associate Professor Glen Croy, Dr Fahreen Alamgir, Professor Ingrid Nielsen and Dr Tharaka de Vass.



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DEFINITIONS

Brands: This report uses the word ‘brand’ to describe apparel and footwear companies that own brands / labels, and retailers. The terms ‘buyer’ and ‘companies’ are used interchangeably with ‘brand’.

Clothing supply chain: The link connecting the source of raw materials, the factories where materials are made into garments and the distribution network by which clothes are delivered to consumers. The clothing industry is one of the most globalised industries in the world — spanning from fibre to yarn, to fabrics, to accessories, to garments, to trading and to marketing.

Department/al stores: Retailers that sell items such as apparel, footwear, home goods, appliances, toys and sporting equipment.

Garment suppliers: This report uses the word ‘suppliers’ to describe companies owning two or more factories where fabric is being converted into garments. At times, brands have a contract with the garment ‘suppliers’, not with the individual factories where garments are made by workers.

Lead time: Number of days between when companies (in Australia for example) place an order to the factories and the clothing is delivered to the port for shipment.

Living wage: The remuneration received for a standard work week (no more than 48 hours) by a worker, that is sufficient to afford a decent standard of living for the worker and her or his family. Elements of a decent standard of living include food, housing, healthcare, clothing, transportation, utilities and other essential needs. It also includes some money which can be put aside for unexpected events.

Merchandiser: The merchandiser’s role is to oversee the order right from the time the order is received from the buyer till shipment. A garments merchandiser — in order to complete the order — coordinates with buyer, various departments within the factory, input suppliers, and logistics service providers outside the company.

Poverty Wages: Low wages, where workers are unable to meet basic needs no matter how hard they work.

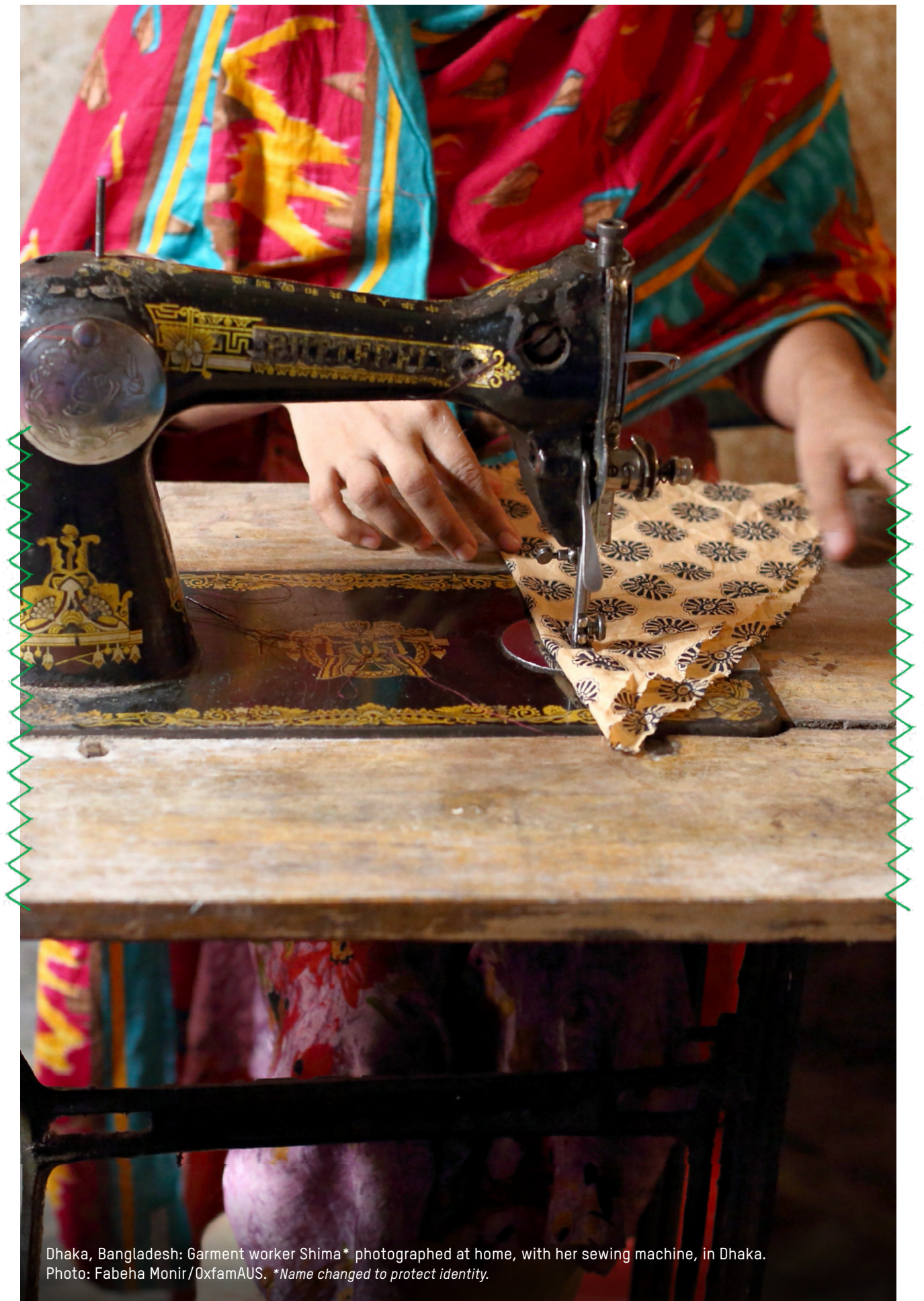
Price: In this report, ‘price’ refers to the cost price paid by brands to factories to manufacture the product. A cost price includes all outlays that are required for production, including overhead, raw materials, power, worker wages, and profit margin for the factory owners. This is the amount of money factories charge for producing garments. Cost price is different from retail price. Retail prices are the prices that the customers buying goods at retail outlets or online stores pay.

Production Manager: The production manager in a garment factory is responsible for execution of all production work of converting inputs into outputs. They are responsible for delivering garments on the designated shipment date.

Purchasing practices: The ways that global retailers and brands interact and do business with the factories that supply their products. Purchasing practices encompass planning and forecasting, price setting, order placement and payment terms, and the underlying behaviours, values and principles which impact workers.¹

Supervisor: The role of the supervisor is to oversee and coordinate activities of workers engaged in sewing, pressing, and inspecting garments.

1. Action Collaboration Transformation, *Purchasing Practices*, ACT, viewed 2 July 2021, <https://actonlivingwages.com/purchasing-practices/>



Dhaka, Bangladesh: Garment worker Shima* photographed at home, with her sewing machine, in Dhaka. Photo: Fabeha Monir/OxfamAUS. *Name changed to protect identity.



Dhaka, Bangladesh: Oxfam Australia's Chief Executive Lyn Morgain with garment worker Parvin* inside her house. Photo: Mohammad Rakibul Hasan/OxfamAUS. *Name changed to protect identity.

FOREWORD

Like many Australian households, Parvin and her husband juggle a busy schedule of work and caring for their family.

Spending time with Parvin's family in their home in the bustling city of Dhaka, I was struck by their seamless ability to meet everybody's competing daily needs. At the time of my visit, the family of five lived in just one small room and a balcony passage, sharing two toilets, four cooking burners and one tap to collect drinking water with about 50 neighbours in the same compound.

Like many parents, Parvin works incredibly long hours and has only one day a week free at home with her family.

Working in the finishing department of a factory that supplies a global leading fashion brand, Parvin earns between about \$150 and \$220 a month, depending on overtime.

While Parvin's pay falls well short of a living wage — enough money to afford the basics of living such as healthcare, food, clothing and education, and some small savings for unexpected events — she feels safe and secure in her current job.

Unlike her previous job of 18 years, she is now able to undertake training courses in areas such as safety and feels she is able to approach her supervisors to discuss problems. In her previous position, Parvin worked gruelling hours; 30 days a month, up until midnight — and was paid only 15 cents an hour for overtime.

Of deep concern, Parvin's work — like hundreds of thousands of others in factories supplying the lucrative fashion sector — has been impacted by the global coronavirus crisis. Parvin has lost the overtime that was critical to boosting her low wage.

Previous ground-breaking Oxfam research has examined the heartbreaking reality of poverty wages for the women making our clothes. Families are saddled with debt, unable to get health care and unable to afford to send their children to school.

This new Oxfam report, the first detailed investigation into the purchasing practices of leading fashion retailers operating in Australia, exposes a system that



is squeezing garment factories so hard that suppliers are forced to cut costs and adopt workplace practices that are having a profound impact on the lives of workers in low paid, precarious employment.

Based on more than 150 surveys and 22 in-depth interviews — with factory owners, production managers, merchandisers, supervisors, factory workers, union leaders, economists, researchers, representatives of non-government organisations (NGOs), and brand representatives — this report raises serious questions about the commitment of brands to ensuring workers in their supply chains are paid living wages and work in decent conditions.

The research reveals that common purchasing practices — including aggressive price negotiation, inaccurate forecasting of orders, late orders, short lead times and last-minute changes to orders — put manufacturers under intense pressure. This results in poor working conditions and low pay for workers; pay that is trapping workers and their families in a cycle of poverty.

But this report also adds to Oxfam's body of research that confirms paying a living wage is possible, and that Australian brands have the power and responsibility to make commitments and adopt practices that will guarantee the payment of living wages to workers in their supply chains.

Since the tragic Rana Plaza factory collapse that killed more than 1,100 workers in a Dhaka factory in 2013 and

shone the spotlight on abhorrent working conditions, Parvin has personally experienced the benefit of improving conditions for herself and her co-workers.

When I asked Parvin what difference her improved wages and work hours had made, she said she could spend the money on her children, and we laughed at this universal truth.

Parvin's story is just one example of what can be achieved, and the real impact that change can bring to the lives of those making our clothes. But Parvin's story is also one that demonstrates how far there remains to go.

We know that demanding brands lift their game has real impact — it has resulted in increased transparency as big Australian brands have disclosed their factory lists and, more recently, many have also made credible commitments to ensuring the payment of living wages.

Now is the time to demand brands do better business, to give real meaning to their commitments to end poverty wages.

Lyn Morgain
Chief Executive, Oxfam Australia

1. EXECUTIVE SUMMARY

As COVID-19 disrupted supply chains in China in late 2019, and bricks-and-mortar shops were forced to close around the world in early 2020, global retail fashion giants took a massive hit to their bottom line. But what happened next laid bare the inequalities and exploitation entrenched in the clothing industry.



Dhaka, Bangladesh: Garment workers photographed working in a factory. * Photo: Alamy Images.

**Generic image of garment factory in Dhaka. Workers pictured are not necessarily producing for the brands featured in the report.*

Practically overnight, major global fashion retailers that have profited for decades from paying poverty wages to workers in countries with little social protection and lax labour laws, cancelled orders and delayed or cancelled payments to their suppliers, many demanding discounts on work already completed. In response, factory owners stood down hundreds of thousands of garment workers — approximately 80% of whom are women — without pay, leaving the people who make our clothes without any income, facing a global pandemic in extreme poverty.

Some brands have since responded to feedback from suppliers and public outcry to pay for orders placed and completed before the outbreak of COVID-19. But this initial failure to pay for work already completed, and the subsequent consequences for workers, exposes how the ways that retailers do business with the factories that supply their clothes have profound impacts on the lives of workers in low paid, precarious employment.

Globally, it is increasingly acknowledged that this way of doing business, known as purchasing practices, have a significant impact on wages and working conditions. Conventional purchasing practices, such as aggressive price negotiation, inaccurate forecasting of orders, late orders, short lead times and last-minute changes to orders, put manufacturers under intense pressure, resulting in poor working conditions and low pay for workers.

This research is the first detailed investigation into the purchasing practices of 10 leading fashion retailers operating in Australia: Best&Less, Big W, Cotton On, H&M Group, Inditex (Zara), The Just Group, Kmart, Myer, Mosaic Brands (Noni B) and Target Australia.

Oxfam, together with its research partners at Monash University and researchers from the University of Liberal Arts Bangladesh, surveyed and interviewed the retailers in Australia and their suppliers in Bangladesh to develop a comparative ranking of each brand's purchasing practices, representing the score the brand gave itself with that given by its supplier factories.

To understand the implications and context of these practices, Oxfam conducted more than 150 surveys and 22 in-depth interviews with factory owners, production managers, merchandisers, supervisors, factory workers, union leaders, economists, researchers, representatives of non-government organisations (NGOs), and brand representatives.

Perhaps unsurprisingly, three of the retailers that did not participate in this research — The Just Group (Just Jeans, Jay Jays, Jacqui E, Peter Alexander, Portmans, Dotti), Myer and Mosaic Brands (Millers, Rockmans, Noni B, Rivers, Katies, Autograph, W. Lane, Crossroads and Beme) — also continue to hide their supplier factory names and locations, refuse to make a credible, public commitment to paying living wages to their workers in those factories, and are scored consistently lower by supplier factories surveyed for this research across most purchasing practices.

In order to limit exposure to reputational, financial and modern slavery risks emerging from potential human rights abuses in their supply chains, to meet industry standards, and to better respect the rights of the women who make our clothes, **the Just Group, Myer and Mosaic Brands (Noni B) must urgently publish their supplier factory list and make a credible, public commitment to pay a living wage to workers in their supply chains.**

Overall, brands that participated in the research consistently rated themselves higher compared to the rating factories gave them. This may indicate the brands' failure to fully understand the impact of their purchasing decisions on the factories and the workers in their supply chains.

H&M Group performed well in terms of overall rating (3 out of 4). Big W, Kmart and Target Australia have the same rating (2.5 out of 4), followed by Cotton On, Inditex (Zara) and Myer with an average rating of 2 out of 4². The survey results show that participating factories rated The Just Group and Mosaic Brands (Noni B) as the worst performers, while the biggest discrepancy between the self-rating of the brand and the factory rating is Best&Less.

Interestingly, H&M Group's relatively high rating — significantly higher than both its fast-fashion competitor Inditex (Zara) and the mid-range retailer, Myer — suggests that **when a customer pays more for clothes, it does not mean they have been produced sustainably and ethically, or that workers were not exploited and received a better wage.** Indeed, clothing production for some of the world's most luxurious brands is carried out at factories which pay some of the poorest wages.

Best&Less, Big W, Cotton On, H&M Group, Inditex (Zara), Kmart and Target Australia should be commended for making commitments to ensuring the payment of living wages to workers in their supply chains. This demonstrates that these brands are sensitive to the risks of exploitative business practices that result in workers, mostly women, being forced into poverty

2. The ratings range from 0 to 4. '0' represents a very poor rating (worst possible score), and '4' represents a very good rating (highest possible score). The ratings are rounded to the nearest half by using the MROUND formula.

and working in unsafe conditions. But our research reveals that these commitments risk becoming mere lip-service, as the brands continue to engage in aggressive price negotiations and other practices that drive down prices, making it impossible for factories to improve wages or conditions. For instance:

- Brands claimed they ‘never’ or ‘rarely’ terminate a relationship with a factory because of price, but 100% of factory respondents reported that brands always terminate their relationship with the factory or shift the order to another factory when the supplier is unable to meet the buyer’s demands for a lower price.
- More than 80% of suppliers surveyed reported that brands often apply high-pressure negotiating strategies to reduce price. Of those, 57% of respondents reported that in order to secure a reduced price, brands would tell factories about the prices they were offered by other factories, and 40% of the respondents reported that brands told factories to “take it or leave it” on pricing.
- 40% of the factories that participated in the study reported that they have accepted orders at a price below the cost to produce garments compliant with the brand’s own minimum standards, contained in its code of conduct.

Inaccurate forecasting by brands also places extraordinary pressure on factories to cut costs, often by setting unreasonably high production timelines and targets for workers, demanding overtime beyond legal limits, sub-contracting to unauthorised factories where brands have no visibility of conditions or wages, and failing to provide training or make necessary health and safety improvements.

Crucially, inaccurate forecasting of orders results in factories either employing too many workers or not enough. Either way, the costs of adjusting to orders that are significantly larger or smaller than originally forecast are borne by the factory management, with significant impacts on the people who make our clothes, particularly women. Specifically:

- All the brands assessed for this report appear to shift the entire burden for managing underutilised capacity and financial loss due to inaccurate forecasting to the factories.
- 63% of factory respondents reported accepting other orders at low prices when order volumes fell short of the brand’s forecast.
- 71% of factory respondents reported that to deliver the orders that exceed forecast on time they set steep production targets for workers and require them to work excessive overtime.
- 29% of respondents said that they subcontract other factories to fulfil excess orders, including 7% in unauthorised factories.

Our findings raise serious questions about the commitment of brands to ensuring workers in their supply chains are paid living wages and work in safe and decent conditions. Even those brands that pay factories just enough to produce orders compliant with the brand’s own minimum standards, are still not paying enough to enable real progress toward ensuring the women who make our clothes are paid a living wage.

With the exception of four factories supplying Target Australia, H&M Group and Inditex (Zara), our research found that the rest of the factories surveyed are completely unaware of the living wage commitment of the brands they supply. With the notable exception of H&M Group, the factories surveyed reported that none of the brands separate labour cost while negotiating price, a practice known as ‘ringfencing’.

Oxfam is calling on brands to act urgently to improve their purchasing practices to reduce their exposure to human rights risks in their supply chains and improve the lives of the women making our clothes. At a minimum, they must:

- **Make a public, credible commitment to ensuring workers in their supply chains are paid a living wage.**
- **Publicly commit to review their purchasing practice policies, publish the reviewed policies and regularly report on implementation.**
- **Act urgently to ensure that labour costs are ‘ringfenced’ in negotiations with factories — that is, separately calculated to ensure the payment of living wages to workers.**
- **Improve payment terms with factories, to avoid a repeat of the mass layoffs that occurred when COVID-19 hit.**



Dhaka, Bangladesh: Garment worker Bindu* holds a sign reading "Pay a Living Wage" outside her home in Dhaka. Photo: Fabeha Monir/OxfamAUS. *Name changed to protect identity.

2. PARVIN'S STORY

“Many of us are facing financial problems because of coronavirus. We are paid low wages and can no longer work overtime to earn the extra money we need.”
– Parvin, garment worker

Parvin is a skilled, experienced worker and a mother of three. After 18 years of low pay, poor conditions and forced overtime, she left her old job, securing a position in a better factory in July 2019. Because of the improved conditions, better pay and option of better-paid overtime, Parvin was able to spend more time with her family and looking after her health. She was finally beginning to pay off debt.

But COVID-19 has thrown her plans into disarray and her family's future hangs in the balance.

Parvin has worked in a garment factory since she was 17. At the time, her husband's income as a shop manager was no longer enough to cover the family's basic expenses, such as food, education and rent for their modest home. So Parvin started work as a 'helper' in a local factory — her base salary equivalent to about AUD \$22 a month.

Conditions were tough and the hours long. After working a full day from 8am till 5pm, the factory owners would inform workers whether they were needed to work an additional 4-6 hours. There was no option to refuse overtime and they were only given enough time for a quick snack at 8pm. Parvin would often get home from work around 1am.

Even after working 14 or 15 hours a day, six days a week, Parvin's total income amounted to the equivalent of only \$33 a month, forcing Parvin and her husband to make impossible choices.

Surviving on a diet of rice and dahl, Parvin often worried that she could not afford milk or protein for her children. When someone in the family needed medical care unavailable at the government clinic, they were forced to take a loan to cover the costs. And because her wages were so low, they could not afford to educate all the kids, so they took the youngest son out of school.

With no childcare at the factory, her eldest son — himself only 8 years old — often took responsibility for looking after his younger brother and sister. Parvin explains, “because the wages were so low, we were really financially stressed. For this reason, one of my

sons continued his education, but the other could not. I just couldn't afford both”.

Parvin's kids have grown up now. She and her husband live together with their 14-year-old daughter who is still in school, and their eldest son who is now 22 and works as a tailor. They occupy two rooms in a house that they share with another family and they all pitch in to cover expenses. But lately her husband has not been working due to illness and their youngest son was unable to find work in Bangladesh. The family took a loan to pay for his flight to Singapore as he migrated in search of a job.

“Because the wages were so low, we were really financially stressed. For this reason, one of my sons continued his education, but the other could not. I just couldn't afford both.” — Parvin, garment worker

They made this decision after Parvin had found a job at a new factory that provided better wages and safer conditions, including shorter working hours, the option of better-paid overtime, childcare for women with young children and training for workers on what to do in case of a fire in the factory.

Before the coronavirus pandemic hit, Parvin was working from 8am to 9pm most days, including four hours overtime. This overtime meant she was able to earn up to the equivalent of AUD \$218 a month, just enough to cover life's basics and save some money which she then contributed to her son's ticket to Singapore, in search of a better life.

These shorter hours also allowed her to spend more time with her family, to come home and cook dinner before going to bed and to get more rest. Parvin says that she gets sick less often now that she has some downtime to rest, and that she misses less days of work.

“I was able to come home early, and to finish cooking and get to sleep early. I used to frequently get low blood pressure, but I feel physically better now.”



Dhaka, Bangladesh: Portrait of Parvin* who has been working in the textile industry for 18 years. Photo: Mohammad Rakibul Hasan/OxfamAUS. *Name changed to protect identity.

This demonstrates the lifechanging impact of a relatively small increase in wages and improved working conditions. If Parvin was able to earn the equivalent of AUD \$250 – \$270 in a month, she could afford a decent standard of living, earning enough to afford food, housing, healthcare, clothing, transportation, utilities and other essential needs while putting some money aside for unexpected events.

But coronavirus has thrown Parvin’s plans into disarray. When the crisis hit, factory management required that she and the other workers take 21 days paid leave, which means she is unable to exchange the leave for payment at the end of the year. Parvin is happy to still have a job, noting that the factory next door to hers tried to lay off hundreds of workers, leading to widespread unrest at the factory.

But while she has a job, many big fashion brands have reduced the numbers of orders for the factory to produce, which means she is not able to work the overtime required to pay her bills.

The future hangs heavily on Parvin’s mind. She worries about her youngest son in Singapore, but is hopeful that he will be able to pay off the family’s debt over the next two to three years now that he has found work as a helper at a construction company. And despite having a better job, she knows that without working overtime, she will struggle to pay for her daughter’s education and take care of her husband now that he is sick and unable to go to work. Her biggest concern of all is that she does not have any savings for the future and is unsure how many more years she can continue to work under such physically demanding conditions.

Parvin’s story illustrates the impact big fashion brands could make if they paid a living wage, a wage earned within a standard working week (of no more than 48 hours), with which she could afford a decent standard of living.

Australian fashion brands have the power to lift millions of women like Parvin – and their families – out of poverty, and to respect their human rights. This is nothing short of what the women who make our clothes deserve.

3. BACKGROUND

In 2019–20, the Australian fashion industry was worth more than \$22 billion³, with the majority of garments that stock Australian shelves and online stores made offshore, in factories in China, Bangladesh, India, Vietnam and Indonesia.⁴

Prior to COVID-19, an estimated 60 million people were employed in the global garment industry.⁵ Around 80% of factory workers are women,⁶ who are generally in the more precarious and low paid jobs in garment industry supply chains.

The industry has been hugely profitable. Australian brands across the industry made a combined profit of \$761 million in the 2019-20 financial year alone.⁷ But these profits are earned off the back of a system of entrenched exploitation, where the workers who make our clothes, particularly women, are frequently paid poverty wages, which leave them struggling to feed themselves and their families, and without access to adequate healthcare or education.⁸

Oxfam comprehensively detailed the impact of poverty wages in its 2019 report, *Made in Poverty: The True Price of Fashion*, after speaking with more than 470 garment workers in Bangladesh and Vietnam. The report revealed an alarming picture of the living and working conditions of the women who make our clothes. For instance:

- Nine out of 10 workers interviewed in Bangladesh could not afford enough food for themselves and their families, forcing them to regularly skip meals and eat inadequately, or go into debt.
- 72% of workers interviewed in Bangladesh factories supplying major brands in Australia, and 53% in Vietnam, could not afford medical treatment when they got sick or injured.
- 76% of workers interviewed in Bangladesh

factories supplying major brands in Australia had no running water inside their home, and more than 40% in Vietnam reported worrying about having to use well or rainwater.

- In Bangladesh, one in three workers interviewed were separated from their children, with nearly 80% of those cases due to a lack of adequate income.

The report called on Australian brands to disclose the locations of their factories, and to ensure workers throughout their supply chains are paid a living wage; a wage earned within a standard week that covers essential basics. These basics include enough nutritious food, decent housing, healthcare, clothing, transportation, utilities, childcare, education, and other essential needs, as well as some savings for the future and unexpected events.

Citing research by Deloitte Access Economics for its 2017 report, *What She Makes: Power and Poverty in the Fashion Industry*, Oxfam estimated that ensuring payment of living wages for workers in Australian clothing supply chains would only increase the retail cost of an item of clothing by 1% — that's 10 cents for a \$10 t-shirt.

Since the release of the report, 13 of Australia's largest and most well-known fashion retailers — including many of the brands assessed in this report — have disclosed the locations of their factories, and 12 have made credible commitments to ensuring workers in their supply chains are paid living wages.

3. IBIS World, *Industry Report: Clothing Retailing in Australia and Clothing Wholesaling in Australia*, IBIS World, viewed 20 November 2020, <https://www.ibisworld.com/>

4. The World Integrated Trade Solution, *Australia Textiles and Clothing Imports by country and region in US\$ Thousand 2018*, WITS, viewed 20 November 2020, https://wits.worldbank.org/CountryProfile/en/Country/AUS/Year/2018/TradeFlow/Import/Partner/all/Product/50-63_TextCloth

5. Early, K. 2017, *Guide to Buying Responsibly, Joint Ethical Trading Initiative*, pp. 6, viewed 20 November 2020, https://www.ethicaltrade.org/sites/default/files/shared_resources/guide_to_buying_responsibly.pdf

6. Clean Clothes Campaign, *Gender: Women workers mistreated*, Clean Clothes Campaign, view 20 November 2020, <https://cleanclothes.org/issues/gender>

7. IBIS World, *Industry Report: Clothing Retailing in Australia and Clothing Wholesaling in Australia*, IBIS World, viewed 20 November 2020, <https://www.ibisworld.com/>

8. Emran, N, Kyriacou, J and Rogan, S, 2019, *Made in Poverty: True Price of Fashion*, Oxfam Australia, viewed at 20 November 2020, <https://whatshe-makes.oxfam.org.au/wp-content/uploads/2019/02/Made-in-Poverty-the-True-Price-of-Fashion.-Summary.-Oxfam-Australia..pdf>



None of these brands is yet to fully implement this commitment or publish their plan to do so. Other global initiatives are also focussed on improving wages and conditions for workers in garment supply chains. Action Collaboration Transformation (ACT) is an agreement between global brands, retailers and trade unions to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining at industry level linked to purchasing practices. Of the brands assessed in this report, Big W, Kmart, Cotton On, Inditex (Zara), H&M Group and Target Australia are all members of ACT.

The Australian parliament passed the Modern Slavery Act (MSA) in 2018, which now requires Australian entities with annual consolidated revenue of at least \$100 million to report on what the company is doing to assess and address the risk of modern slavery in its operations and supply chains.⁹ For the purposes of the MSA, modern slavery is defined as situations where coercion, threats or deception are used to exploit victims and undermine their freedom.¹⁰ All of the Australian retailers included in this study are covered by the MSA, and are required to publish annual reports on modern slavery risks within their supply chains.

Greater attention to modern slavery risks, along with the increasingly common practice of publishing the names and locations of their supplier factories represents progress towards improved transparency. And the commitment by brands to ensure the payment

of living wages throughout their supply chains is an important first step to ensuring the people who make our clothes, particularly women, earn enough money to lift themselves out of poverty.

However, as interviews with factory owners and management for the *Made in Poverty* report indicated, the purchasing practices of brands actively contribute to poor working conditions and low pay for workers.

This report, *Shopping for a Bargain*, examines these practices in detail, rating each brand's purchasing practices based on the findings of surveys of major Australian retailers and their suppliers in Bangladesh, and over 150 surveys and 22 in-depth interviews.

Although we conducted the majority of surveys and interviews prior to the outbreak of COVID-19, the impact of the pandemic on the global garment industry and the people who work within it, particularly women, cannot be understated. The inequalities and exploitation that are entrenched in purchasing practices in the garment sector have been laid bare by COVID-19, which left hundreds of thousands of garment workers suddenly without work and facing extreme poverty.¹¹

This report also includes analysis informed by interviews with garment industry experts, conducted throughout the pandemic, to understand the impact of the pandemic on workers, the implications of COVID-19 on the structure of the retail industry and the relevance to brands' purchasing practices.

9. These reporting requirements include that the entity "describe the risks of modern slavery practices in the operations and supply chains of the reporting entity and any entities the reporting entity owns or controls".

10. Department of Home Affairs, *Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities*, 2018, Appendix 1, pp. 75, viewed 29 June 2020, <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>

11. Fair Wear, *How does COVID-19 affect garment workers?*, Fair Wear, viewed 27 September 2020, <https://www.fairwear.org/COVID-19-dossier/work-er-engagement-and-monitoring/gender-analysis>

4. AN INTRODUCTION TO PURCHASING PRACTICES

Purchasing practices are the ways that global retailers and brands interact with the factories that supply their products. These practices encompass forecasting of future orders, how much the retailer pays the factory and how that price is negotiated, the way orders are placed and payment terms.¹²

It is increasingly acknowledged that the way a retailer does business with its suppliers has a significant impact on the wages and working conditions of garment workers. Conventional purchasing practices including aggressive price negotiation, inaccurate forecasting, late orders, short lead times, and last-minute changes to orders put manufacturers under intense pressure and result in poor working conditions and low pay for workers.¹³

4.1 PURCHASING PRACTICES, POVERTY AND COVID-19

The COVID-19 pandemic exposed significant weaknesses in the global supply chains of brands sourcing clothes from other countries. From late 2019, as Chinese authorities struggled to contain the virus with a series of city-wide shutdowns, many factories across Asia experienced difficulty sourcing raw materials from China, meaning sewing clothes became difficult.¹⁴

As the virus spread around the world, and states closed borders and implemented country-wide lockdowns, retail demand collapsed. Piles of new

clothes sat in warehouses around Australia due to declining sales.

With bricks-and-mortar shops closed, fashion brands and retailers took an enormous hit to their bottom line and cash reserves. Brands responded by cancelling orders already completed or in production, by delaying payment and forcing discounts on goods already produced. In doing this, brands effectively abandoned the many thousands of workers in their supply chains.

It is standard practice for brands not to pay for products until after they are shipped — in fact, many brands do not pay for clothing until 60 or 90 days after it is delivered. When an order is put on hold or cancelled, payments are also held or cancelled. Supplier factories bear the costs of production, including fabric and labour costs.¹⁵ The cancellations due to COVID-19 created a situation where factories were unable to pay workers on time, if at all.

These cancellations crushed Asia's garment industry. Thousands of factories in Myanmar, Bangladesh, Thailand and Cambodia closed down. Hundreds of thousands of the women who make

12. Action Collaboration Transformation, *Purchasing Practices*, ACT, viewed 2 July 2020, <https://actonlivingwages.com/purchasing-practices/>

13. Early, K. 2017, *Guide to Buying Responsibly*, Joint Ethical Trading Initiative, viewed 20 November 2020, https://www.ethicaltrade.org/sites/default/files/shared_resources/guide_to_buying_responsibly.pdf

14. Fair Wear, *How does COVID-19 affect garment workers?*, Fair Wear, viewed 20 November 2020, <https://www.fairwear.org/COVID-19-dossier/work-er-engagement-and-monitoring/gender-analysis>

15. Nova, S. and Zeldenrust, I. 2020, *Who will bail out the workers who make our clothes?*, *Worker Rights Consortium*, viewed 8 July 2020, <https://www.workersrights.org/wp-content/uploads/2020/03/Who-Will-Bail-Out-the-Workers-March-2020.pdf>

our clothes were sent home without pay — suddenly dismissed, many without compensation.^{16 17 18}

“The companies who make profit out of these workers in the [garment] production countries... just left us behind to be starving,” Kalpona Akter, a former garment worker and activist told *The Nation*.¹⁹ In a separate interview for *The Guardian*, Akter revealed that her organisation, the Bangladesh Centre for Worker Solidarity, received reports of the dismissal of dozens of pregnant workers from more than 30 factories during COVID-19.²⁰

“The companies who make profit out of these workers in the [garment] production countries... just left us behind to be starving.”
— Kalpona Akter, former garment worker and activist.

Coverage in *The Guardian* featured one of the sacked workers, Mitu, who was three months pregnant when her production manager fired her in late June. Mitu had taken 19 days of authorised medical leave after she became dizzy at work, nearly fainting. When she returned, she overheard the management discussing not wanting to pay maternity benefits. Then they fired her, citing missed work.

“My family was depending on my income, and my maternity benefits,” she said. “We have had to take out loans to survive, but soon that will run out.”²¹

To finish pending orders, many factories reopened in April 2020, but struggled to enforce social distancing and good hygiene practices in often cramped factory floor conditions.²²

In an interview with *Gulf Today*, Babul Akter, President of the Bangladesh Garment and Industrial Workers Federation, revealed: “Most of the factories are not complying with the safety guidelines... Just placing hand-washing systems and checking temperatures at the entrances will not help. Inside the factories, when the workers work so closely, how will they maintain safe distancing?”²³

Like their counterparts globally, Australian brands sought to cancel orders, in some cases delaying payments or seeking discounts for clothes already made. The brands were not transparent on how they responded to the COVID-19 crisis, taking months to publicly comment on their COVID-19 response to protect the livelihoods of workers in their supply chains.

In May 2020, *ABC News* reported that Mosaic Brands (which owns labels Rivers, Katies, Noni B, Millers, W.Lane and others) were delaying payment and holding or cancelling orders worth a total of \$15 million. According to emails seen by the ABC, Mosaic Brands (Noni B) told suppliers that payments on some orders would be delayed by eight months.²⁴ Later, *MSN News* reported that Mosaic Brands (Noni B) were resolving the issues.²⁵ The ABC report also revealed that Kmart revised its request for a 30% discount on some orders already completed, after some suppliers said they could not withstand the price cut. Likewise, Cotton On was reported to reverse its previous decision to cancel orders worth \$18 million.²⁶

After feedback from suppliers and public outcry around the world — including from activists and members of Oxfam’s What She Makes campaign — several more brands, including Big W, Best&Less, Forever New and Inditex (Zara)²⁷, committed to pay for all orders placed before the pandemic hit.

16. Firdausi, A. and Shivakumar, N., 2020, ‘Covid leaves global garment industry in disarray’, *The Hindu Business Line*, 17 August 2020, viewed 20 November 2020, <https://www.thehindubusinessline.com/opinion/global-garment-industry-torn-apart-by-COVID/article32374570.ece>

17. Business World, ‘COVID-19 Thousands of Garment Workers Lose Jobs Across Asia Stores in US, Europe Shut’, 12 July 2020, *Business World*, viewed 20 November 2020, <http://www.businessworld.in/article/COVID-19-Thousands-of-garment-workers-lose-jobs-across-Asia-stores-in-US-Europe-shut/12-07-2020-296486/>

18. Gulf Today, ‘Pandemic crushes Asia’s garment sector as big retailers cut orders’, 24 May 2020, *Gulf Today*, viewed 20 November 2020, <https://www.gulftoday.ae/business/2020/05/24/pandemic-crushes-asias-garment-sector-as-big-retailers-cut-orders>

19. Chen, M, 2020, ‘Disaster Looms as the Coronavirus Disrupts the Garment Supply Chain’, *The Nation*, 7 July 2020, viewed 20 November 2020, <https://www.thenation.com/article/economy/garment-supply-chain-coronavirus/>

20. Politzer, M. 2020, “‘We are on our own’: Bangladesh’s pregnant garment workers face the sack”, *The Guardian*, 9 July 2020, viewed 20 November 2020, <https://www.theguardian.com/global-development/2020/jul/09/we-are-on-our-own-bangladeshs-pregnant-garment-workers-face-the-sack>

21. Ibid.

22. Mirdha, R. 2020, ‘Social distancing in garment factories out of the question.’, *The Daily Star*, 17 April 2020, viewed 20 November 2020, <https://www.thedailystar.net/business/news/social-distancing-garment-factories-out-the-question-1893697>

23. Gulf Today, ‘Pandemic crushes Asia’s garment sector as big retailers cut orders’, 24 May 2020, *Gulf Today*, viewed 20 November 2020, <https://www.gulftoday.ae/business/2020/05/24/pandemic-crushes-asias-garment-sector-as-big-retailers-cut-orders>

24. Bainbridge, A. and Vimonsuknopparat, S. 2020, ‘Suppliers under pressure as Australian retailers ask for discounts, hold orders during coronavirus pandemic’, *ABC News*, 13 May 2020, viewed 20 November 2020, <https://www.abc.net.au/news/2020-05-13/australian-retailers-delay-supplier-payments-amid-coronavirus/12236458>.

25. ABC News, ‘Australian fashion company agrees to resolve issues with Bangladeshi suppliers’, *MSN News*, 13 June 2020, viewed 20 November 2020, <https://www.msn.com/en-au/news/australia/australian-fashion-company-agrees-to-resolve-issues-with-bangladeshi-suppliers/vi-BB15pDPS>

26. Bainbridge, A. and Vimonsuknopparat, S. 2020, ‘Suppliers under pressure as Australian retailers ask for discounts, hold orders during coronavirus pandemic’, *ABC News*, 13 May 2020, viewed 20 November 2020, <https://www.abc.net.au/news/2020-05-13/australian-retailers-delay-supplier-payments-amid-coronavirus/12236458>.

27. Among few brands, Inditex (Zara) made its commitments to pay for orders produced or in production, according to original payment terms at the early stage of COVID outbreak.

Labour rights organisations and unions continue to urge companies to publicly ensure that all apparel, textile, footwear, and logistics workers in their supply chain who were employed at the onset of the COVID-19 crisis will receive their legally mandated or regular wages and benefits, including back pay or severance pay if applicable. Furthermore, these organisations urged companies to assure payment of a price premium on future orders into a guarantee fund reserved to support stronger social protections for workers.

At the time of writing, shutdowns in most states of Australia have been relaxed and shoppers are returning to shopping centres. Clothing retailers have also improved online operations to retain demand despite lockdown restrictions.

The initial failure of global brands to pay factories for completed orders and the devastating effect this had on workers exposes the impact a company's purchasing practices can have on garment workers. As brands restructure their operations in the context of a global pandemic, they must consider these impacts when engaging in price negotiation, agreeing payment terms and forecasting, and placing future orders with factories.

In interviews for this report, prior to COVID-19, 40% of factories surveyed reported that they accepted orders at prices below the cost of producing the garments in a way that complies with brands' own minimum standards, outlined in their codes of conduct.

This has an immediate impact on the wages and health and safety of the women who make our clothes. When brands engage in aggressive price negotiations to secure prices from suppliers that are below the cost of production, factories continue to pay workers poverty wages and, as our findings indicate, engage in cost-cutting measures such as unauthorised sub-contracting, excessive overtime and failure to invest in training, or basic health and safety improvements in the factories.²⁸

4.2 THE BUSINESS CASE FOR CHANGE

Responsible purchasing has long-term benefits for a business, allowing brands to optimise costs, and increase productivity and quality. Importantly, it enables factories to raise their ethical standards,

pay living wages, maintain a skilful workforce and build resilience in supply chains — thereby meeting brands' sustainability goals.²⁹

Responsible purchasing also reduces the risk of reputational, financial and legal risks borne out of potential complicity or association with human rights abuses occurring within garment supply chains.

The corporate responsibility to respect human rights, contained in the United Nations Guiding Principles on Business and Human Rights (UNGPs), requires that companies avoid causing or contributing to adverse human rights impacts. The UN's Interpretive Guide on the Corporate Responsibility to Respect Human Rights offers a situation where a company is responsible for "[c]hanging product requirements for suppliers at the eleventh hour without adjusting production deadlines and prices, thus pushing suppliers to breach labour standards in order to deliver" as an example of contributing to adverse human rights impacts. The Interpretive Guide notes that if a company contributes or may contribute to an adverse human rights impact, "it should take the necessary steps to cease or prevent its contribution and use its leverage to mitigate any remaining impact to the greatest extent possible".³⁰

Conventional purchasing practices such as aggressive price negotiation, poor forecasting of orders, short lead times for making clothes, unfair penalties and unfavourable payment terms exacerbate the risk of labour rights abuses in factories. These include well documented human rights risks such as health and safety risks, wages below legal minimums, working hours in excess of legal limits, child labour, the violation of the freedom of association, human trafficking and forced labour.³¹

The introduction of annual mandatory modern slavery risk reporting — to comply with the *Modern Slavery Act 2018* (MSA) — will increase the visibility of specific risks within Australian brands' supply chains.

For the purposes of the MSA, modern slavery is defined as situations where coercion, threats or deception are used to exploit victims and undermine their freedom.³² Such instances can sometimes involve clear physical indicators, such as physical confinement or confiscation of identity and travel documents. However, the Government guidance on

28. Early, K. 2017, *Guide to Buying Responsibly*, Joint Ethical Trading Initiative, viewed 20 November 2020, https://www.ethicaltrade.org/sites/default/files/shared_resources/guide_to_buying_responsibly.pdf

29. *ibid*

30. Office of the High Commissioner for Human Rights, *The Corporate Responsibility to Respect Human Rights: An Interpretive Guide*, UN Human Rights, 2012, viewed 20 November 2020, <https://www.ohchr.org/Documents/Issues/Business/RtRInterpretativeGuide.pdf>

31. International Corporate Accountability Roundtable, *Written Evidence to the U.K Joint Committee on Human Rights Inquiry into Human Rights and Business*, viewed 24 September 2020, <https://www.hrprocurementlab.org/wp-content/uploads/2016/04/ICAR-Submission-to-JCHR-Human-Rights-and-UK-Public-Procurement-of-Apparel.pdf>

32. Department of Home Affairs, *Commonwealth Modern Slavery Act 2018 Guidance for Reporting Entities*, 2018, Appendix 1, pp. 75, viewed 29 June 2020, <https://www.homeaffairs.gov.au/criminal-justice/files/modern-slavery-reporting-entities.pdf>

the MSA acknowledges that often coercion, threats and deception are more subtle and harder to identify.

The guidance sets out signs that may indicate a person is in a situation of modern slavery and that further investigation is required. These include instances where suspected victims are “required to work excessive hours” and “appear to be subjected to, or threatened with violence, emotional, sexual, verbal or physical abuse and/or degrading treatment in connection with their employment”.³³ The guidance also illustrates how garment retailers may be exposed to these risks by outlining examples where an Australian fashion company may contribute to modern slavery practices where it “knowingly set[s] unrealistic cost targets and delivery timeframes for a supplier that can only be met by using exploited labour” and that “a fashion company’s statement could explain that the entity has identified there is a risk it may contribute to modern slavery practices through its arrangements with third-party supplier factories, which focus on minimising production costs”.³⁴

Our research findings, outlined in the sections below, suggest that poor purchasing practices by brands lead to conditions such as overtime beyond legal limits and unauthorised subcontracting, which give rise to the conditions under which such practices may occur. Yet in our interviews with factories for this research, **only four out of 30 factories were aware of the MSA. These factories supply Cotton On, The Just Group and Target Australia.** This raises serious questions about the effective implementation of the MSA by Australian retailers.

The Australian Government acted quickly to identify the increased risk of modern slavery through coronavirus. As early as April 2020, Australian Border Force and the Department of Home Affairs, responsible for receiving modern slavery reports, issued guidance for entities about how to reduce the risk to vulnerable workers in their operations and supply chains.³⁵

The Modern Slavery Act: Information for reporting entities about the impacts of coronavirus outlines: “Factory shutdowns, order cancellations, workforce reductions and sudden changes to supply chain structures can disproportionately affect some workers and increase their exposure to modern slavery and other forms of exploitation. There are a variety of

reasons why some workers may be more vulnerable to modern slavery. These include loss of income or fear of loss of income, low awareness of workplace rights, requirements to work excessive overtime to cover capacity gaps, increased demand due to supply chain shortages or the inability to safely return to home countries.”³⁶

Australian Border Force recommends that entities take a range of actions to reduce risks, including maintaining supplier relationships, honouring current contracts and recognising that short production windows and last-minute or short-term orders may increase modern slavery risks for workers. Border Force also recommends paying for completed work, extending orders over time to help ensure ongoing cash-flow for suppliers and avoiding varying contracts.

Fierce competition between suppliers to secure orders in the context of COVID-19 significantly exacerbates these risks. By adopting responsible purchasing practices, brands can optimise costs, increase productivity and quality, and build stronger relationships with factories at the same time as reduce operational, reputational and financial risks. Importantly, enabling suppliers to pay workers a living wage and invest in improving working conditions will help to both improve workers’ lives and establish mature industrial relations. It can also help brands to become more competitive, as customers demand sustainability, safe working conditions, payment of living wages and upholding human rights.³⁷

Brands can and should balance the twin goals of responding to consumer demands and protecting workers rights in factories. And it is through their purchasing practices that businesses can have the most profound impact on human rights. This can only happen if brands invest in a variety of human rights due diligence tools needed to monitor and rectify their purchasing practices, and adopt key industry good practices. These steps will go a long way in discharging brands’ responsibilities articulated in the UNGPs and the Organisation for Economic Co-operation and Development Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector (OECD Due Diligence Guidance on Garments).³⁸

33. Ibid. pp. 81.

34. Ibid. pp. 43.

35. Department of Home Affairs, *Modern Slavery Act: Information for reporting entities about the impacts of coronavirus*, April 2020, viewed on 30 June 2020, <https://www.homeaffairs.gov.au/criminal-justice/Pages/COVID-19-reducing-risk-modern-slavery.aspx>

36. Ibid.

37. Early, K. 2017, *Guide to Buying Responsibly, Joint Ethical Trading Initiative*, pp. 12, viewed 20 November 2020, https://www.ethicaltrade.org/sites/default/files/shared_resources/guide_to_buying_responsibly.pdf

38. Human Rights Watch, 2019, “*Paying for a Bus Ticket and Expecting to Fly*” *How Apparel Brand Purchasing Practices Drive Labor Abuses*, viewed 20 November 2020, <http://www.respect.international/paying-for-a-bus-ticket-and-expecting-to-fly-how-apparel-brand-purchasing-practices-drive-labor-abuses/>

5. PURCHASING PRACTICES OF BRANDS OPERATING IN AUSTRALIA

Oxfam evaluated each brand's purchasing practices across seven categories. These included whether a brand provides accurate forecasts of upcoming work to factories, its price negotiation strategies, whether a factory's environmental and social compliance influences the brand's purchasing decisions, how a brand places orders with factories and what its payment terms are. While having a commitment to pay a living wage, and the transparency of a brand's supply chain are not purchasing practices in and of themselves, we have also evaluated brands against these two categories because of their strong relationship to purchasing practices.

To produce ratings for each brand, we asked respondents from retailers and their factories to answer identical questions relating to each category of purchasing practices. These questions and the ratings given by the brands and the ratings their supplier factories gave the brands are presented in the sections below.³⁹

We determined each brand's overall rating by averaging the item ratings within each of the seven categories (30 items in total).

The Just Group (Just Jeans, Jay Jays, Jacqui E, Peter Alexander, Portmans, Dotti), Myer, and Cotton On and Inditex (Zara) declined to participate in the survey, however, Inditex (Zara) engaged in a general conversation with the Monash research team about their purchasing practices. Mosaic Brands (Millers, Rockmans, Noni B, Rivers, Katies, Autograph, W. Lane, Crossroads and Beme) did not take up the offer to participate in the survey by the deadline. For these brands, only the factory responses have been presented, and they were consistently rated poorly by the factories.

Overall, brands rated themselves higher than factories rated them. This indicates that brands lack awareness of the impact their purchasing decisions have on factories and workers.

H&M Group performed well in terms of overall rating (3 out of 4). Big W, Kmart, Target Australia with the same rating (2.5 out of 4) followed, while Cotton On, Inditex (Zara) and Myer had an average rating of just 2 out of 4.

The survey results show factories rate The Just Group and Mosaic Brands (Noni B) as the worst performers, while the biggest discrepancy between the self-rating of the brand and the factory rating is Best&Less.

Fast fashion brand H&M Group performed much better than its direct fast fashion competitor Inditex (Zara). Myer, serving a higher end of the consumer market, rated well below brands like Kmart, Big W and Target Australia. This indicates that poor purchasing practices are not necessarily related to the retail price of the end product. A higher retail price for clothes does not necessarily indicate that they have been produced sustainably and ethically, or that workers were not exploited and received a better wage. Indeed, clothing production at some of the world's most luxurious brands is carried out at factories which pay some of the poorest wages.⁴⁰

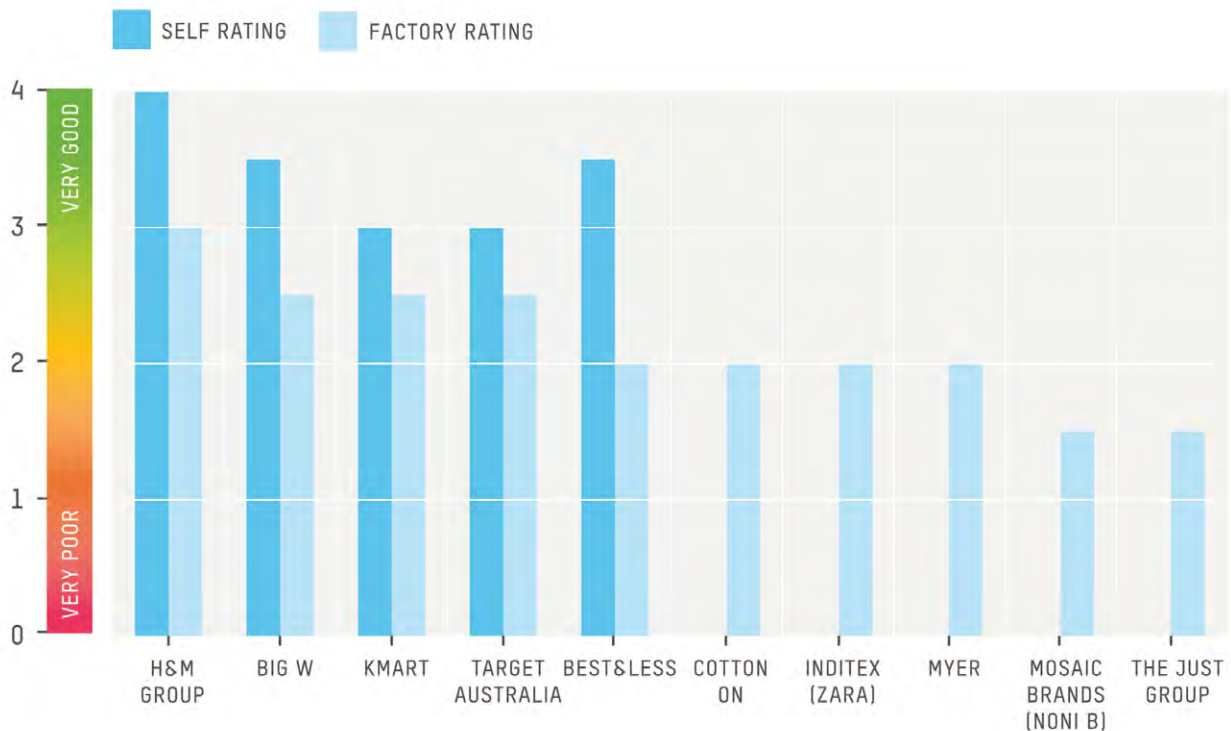
5.1 TRANSPARENCY

There is no excuse for brands to continue to hide the locations of their supplier factories. A public list of the factories allows the people who make our clothes, unions and advocates to raise issues around safety, conditions and pay directly with the company

39. Ratings were rounded to the nearest half by using MROUND formula.

40. Uddin, M. 2020, 'Don't let the price fool you', The Daily Star, 22 June 2020, viewed 20 November 2020, <https://www.thedailystar.net/opinion/rmg-notes/news/dont-let-the-price-fool-you-1918185>

FIG 1: OVERALL RATING OF BRANDS' PURCHASING PRACTICES



The ratings range from 0 to 4. '0' represents a very poor rating (worst possible score), and '4' represents a very good rating (highest possible score). The ratings are rounded to the nearest half by using the MROUND formula.

when these issues are not properly addressed at the factory level.

Brands should publish the details of all direct supplier factories, but for the purposes of this report and the Oxfam company tracker,⁴¹ Oxfam considers a brand to be transparent when it publishes and regularly updates its website with the names and addresses of at least 70% of its supplier factories, or 80% of the total value of its supply chain.

This report found that Best&Less, Big W, Cotton On, H&M Group, Kmart and Target Australia meet this threshold of transparency. On the other hand, Inditex (Zara), Just Group, Mosaic Brands (Noni B) and Myer all continue to hide their direct factory list,⁴² and Inditex (Zara) only publishes a list of its dyeing mills.

Incidents such as the fires in Ali Enterprise, Tazreen Fashions and the collapse of the Rana Plaza — which killed over 1,100 garment workers and injured more than 2,000 — demonstrate that some brands are unaware their garments are being made in

unauthorised factories.^{43 44} There is simply no excuse for brands to be unaware of what is happening in their supply chains, however, it appears some brands are not trying hard enough to gain control and visibility into sub-contracting layers. An example of this was uncovered by *Four Corners* in a recent investigation of forced labour involving the Uyghur people in the Xinjiang region of China — a region known for being a major supplier of cotton for popular Australian brands.⁴⁵

5.2 LIVING WAGE COMMITMENT

Oxfam's 2019 report, *Made in Poverty* found that the majority of the women who make our clothes are not being paid living wages; they are trapped in poverty, struggling to feed themselves and their families, and without access to adequate healthcare or education.⁴⁶

Made in Poverty identified a clear link between the way that brands sourced and paid for garments, and a supplier's capacity to pay workers a living wage. Poor purchasing practices, such as aggressive price negotiation, inaccurate forecasting, late orders,

41. Oxfam Australia, *Company Tracker, What She Makes*, viewed 20 November 2020, <https://whatshemakes.oxfam.org.au/company-tracker/>

42. Inditex (Zara) published the list of dyeing mills but not the factories making their cloths

43. Human Rights Watch, 2017, *Follow the Thread: the need for supply chain transparency in the garment and footwear industry*, 20 April 2017, viewed 20 November 2020, <https://www.hrw.org/report/2017/04/20/follow-thread/need-supply-chain-transparency-garment-and-footwear-industry>

44. Oxfam Australia, *Aussie Fashion Brands: What's with transparency?*, 17 August 2017, viewed 20 November 2020, <https://www.oxfam.org.au/2017/08/the-naughty-or-nice-of-aussie-fashion-brands-whats-with-transparency/>

45. McNeill, S et al. 2019, 'Cotton On and Target investigate suppliers after forced labour of Uyghurs exposed in China's Xinjiang', *ABC News*, 17 July 2017, viewed 20 November 2020, <https://www.abc.net.au/news/2019-07-15/uyghur-forced-labour-xinjiang-china/11298750?nw=0>

46. Emran, N, Kyriacou, J and Rogan, S, 2019, *Made in Poverty: True Price of Fashion*, Oxfam Australia, viewed at 20 November 2020, <https://whatshemakes.oxfam.org.au/wp-content/uploads/2019/02/Made-in-Poverty-the-True-Price-of-Fashion.-Summary.-Oxfam-Australia.pdf>

short lead times and last-minute changes, put manufacturers under intense pressure and lead directly to poor working conditions and low pay for workers.

That is why, when Best&Less, Big W, Cotton On, Kmart, Target Australia, Inditex (Zara) and H&M Group made public commitments to pay a living wage, they undertook to review their purchasing practices as a first step. For these brands, this includes listing labour as a separate itemised cost within the purchase price, fair terms of payments, better planning and forecasting, undertaking training on responsible sourcing and buying, and practicing responsible exit strategies.

The findings of this report laid out in the sections below further demonstrate the relationship between individual purchasing practices and the ability of suppliers to pay workers a living wage. They also reveal that there is a long way to go before brands make adequate progress on improving these practices.

With the exception of four factories supplying Target Australia, H&M Group and Inditex (Zara), our research found that the rest of the factories surveyed are completely unaware of the living wage commitment of the brands they supply.

The Just Group, Mosaic Brands (Noni B) and Myer are yet to publicly commit to ensuring payment of living wages to the workers in their supply chain.

5.3 FORECASTING

Forecasting is the process of predicting future garment orders based on past and present retail sales data and analysing fashion trends. Accurate forecasting of the number of garments in an order allows factories to plan production and meet delivery timelines without causing negative impacts on workers.

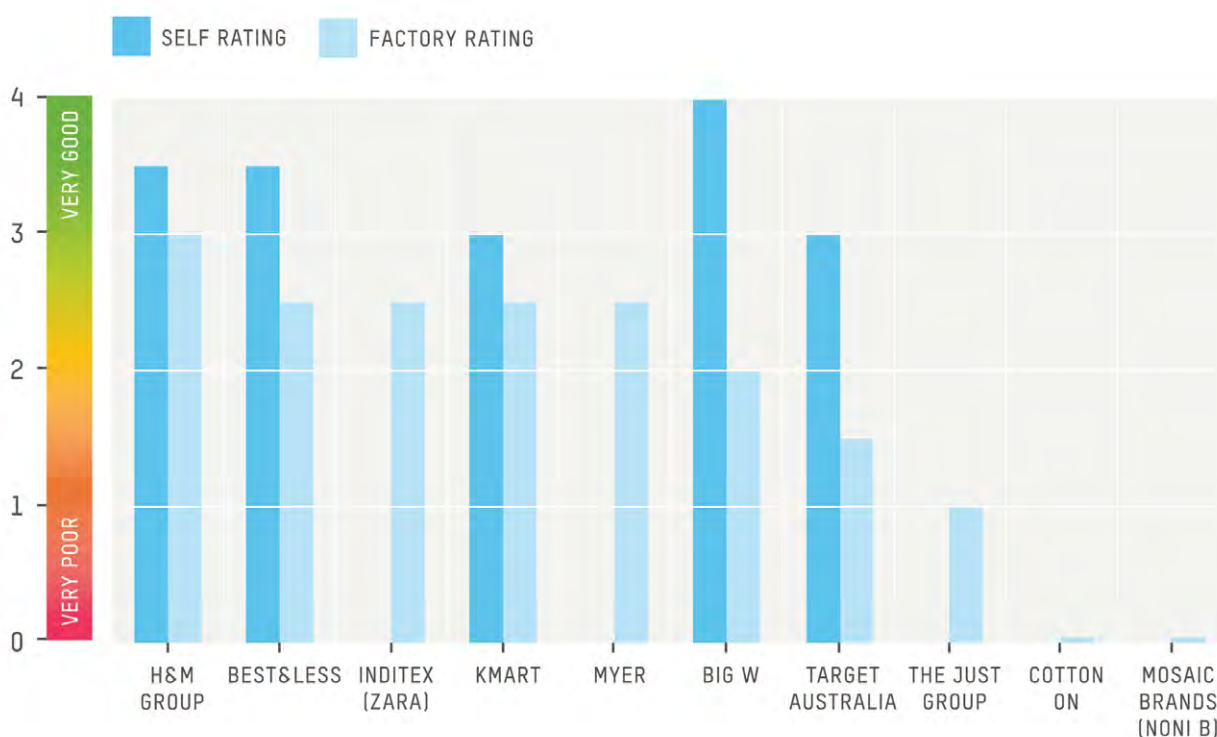
When brands provide inaccurate information about the volume of an order, it places suppliers under stress to meet that order and increases pressure on production costs and timelines.⁴⁷ Researchers for *Made in Poverty* and this report found that the flow-on effects on workers are significant, as factories manage these pressures by forcing workers to work overtime in excess of legal limits and sub-contracting unauthorised factories with unknown working conditions or wages. Workers also report being subject to abuse and harsh treatment by supervisors, as managers scramble to make up the difference between the actual order and the forecast.

5.3.1 OVERALL RATING

The questions asked of brands and factories to determine ratings explored four key components of forecasting. We assessed whether brands provide a forecast to factories for the upcoming season, and the length of time between the factory receiving the forecast and when the brand actually places the order.

47. Early, K. 2017, *Guide to Buying Responsibly, Joint Ethical Trading Initiative*, viewed 20 November 2020, https://www.ethicaltrade.org/sites/default/files/shared_resources/guide_to_buying_responsibly.pdf

FIG 2: FORECASTING: OVERALL RATING



We also asked what the difference was between the volume of the forecast compared to the actual order, and whether the brands undertook a capacity review of the factory prior to placing the order. Each of these comparative ratings are presented separately in the following sections, and we developed an overall rating by presenting the average of ratings across the four questions.

Surveyed factories reported that neither Cotton On nor Mosaic Brands provide any forecast to factories; this despite Cotton On being a member of Action Collaboration Transformation (ACT)⁴⁸ that requires the brand to improve its planning and forecasting practices. We could not present a self-rating from either Cotton On or Mosaic Brands as they did not participate in the study.

All participating brands rated themselves higher than their suppliers did, with the largest gaps between brand and factory ratings belonging to Big W and Target Australia.

According to factory survey data:

- Cotton On and Mosaic Brands (Noni B) do not provide any forecasts to the factories surveyed.

- H&M Group leads the brands by providing timely and accurate forecasting between 90 to 99% of the time.
- The Just Group provides timely and accurate forecasts less than 80% of the time.
- Target Australia⁴⁹ provides timely and accurate forecasts 75–85% of the time.
- Big W provides timely and accurate forecasts 80–89% of the time.
- Best&Less, Inditex (Zara), Kmart, and Myer provide timely and accurate forecast 85–95% of the time.

5.3.2 TIMING OF FORECAST AND ORDER PLACEMENT

Factories require up to 180 days to effectively plan for the production of an order,⁵⁰ but brands benefit from last-minute decisions that allow them to collect more information from the market, including the previous year’s sales data and current fashion trends.

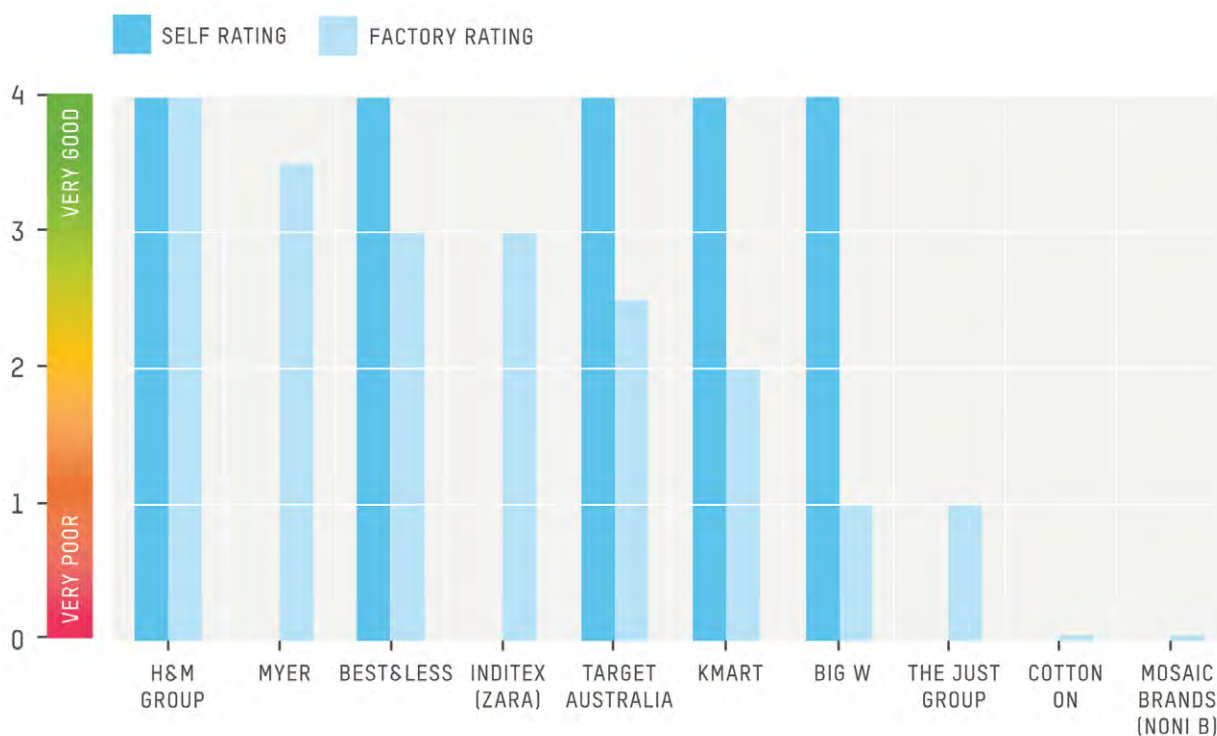
When brands do not provide sufficient notice between forecast and placing the order, this significantly impacts a factory’s capacity to commence bulk production, contributing to poor working conditions in factories. This dynamic is compounded when brands demand a short lead time between placing the order

48. Action Collaboration Transformation (ACT.) ACT is an agreement between global brands, retailers and trade unions to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining at industry level linked to purchasing practices.

49. In the interview, Target Australia and Kmart told researchers that they apply the same purchasing practices. The difference in rating by the factories is due to the difference in responses received by the researchers. Different sets of factories were selected for Target Australia and Kmart.

50. Dickson, M. 2019, *Better Buying Index Report: Purchasing Practices in Apparel, Footwear and Household Textile Supply Chains*, Better Buying, 2019, viewed 20 November 2020, https://betterbuying.org/wp-content/uploads/2019/09/4523_better_buying_report_summer2019_final.pdf

FIG 3: TIME DIFFERENCE BETWEEN FORECAST AND ORDER PLACEMENT



0 = no forecast received; 1 = <60 days’ time difference between forecast and actual order; 2 = 60–89 days’ time difference between forecast and actual order; 3 = 90 days’ time difference between forecast and actual order; and 4 = > 90 days’ time difference

with the factory and the garments being shipped, and vary the volume, style or quality of the order from what was forecast.

Brand responses to the survey show that **the average time between forecast and order placement is more than 90 days. However, this is not the experience of factories, with 65% of respondents reporting that they receive orders less than 90 days after receiving the forecast.**

According to factory survey data:

- H&M Group is the best performer, followed by Myer.
- Cotton On and Mosaic Brands (Noni B) are the worst performers, failing to provide any forecast to surveyed factories.
- Target Australia, Inditex (Zara) and Best&Less provide forecasts at least 90 days before placing the order.
- Kmart provides forecasts between 60 and 89 days before placing an order.
- Big W and Just Group provides forecasts less than 60 days before order placement.

Previous studies indicate that accurately forecasting classic or basic styles and products with adequate notice is easier than predicting fast fashion.⁵¹ But as these ratings suggest, forecasting is a challenge for all brands, but can be done well. H&M Group not only scored higher than its fast-fashion competitor, Inditex (Zara), but all other brands.

5.3.3 FORECAST ACCURACY

Previous research has demonstrated that a gap between forecast and actual order quantity of more than 10% has a significant impact on working conditions. When factory owners are unsure how large the variation will be, they tend to hire less workers rather than risk having workers without orders to fill.

When the order quantity is more than was forecast, factory owners force workers to perform overtime above legal limits in order to complete the order or sub-contract production to other factories. These are typically smaller operations, with more precarious working conditions which may not be authorised by the brand, or inspected by building-safety and labour authorities.⁵²

Factories also reported that inaccurate forecasting resulted in increased costs of production and subsequent pressure to undertake cost cutting measures such as purchasing raw materials from the cheapest source without considering how and where they were made, delaying payment of workers,

not investing in repair and maintenance, or providing adequate training to workers.

These impacts can be further compounded when factory owners accept additional orders — which stretch the factory beyond capacity — to avoid losses, if previous orders turn out to be smaller in volume than initially forecast.⁵³

Our research found that the forecasting of all brands was highly inaccurate.

While H&M Group and Inditex (Zara) delivered orders that were often within 10% accuracy of the forecast quantity, in the majority of cases, their orders varied in volume more than 10%.

Cotton On and Mosaic Brands (Noni B) do not provide any forecasts to the surveyed factories, placing massive pressure on suppliers, and all other brands delivered highly inaccurate forecasts all of the time. The Just Group and Big W provide inaccurate forecasts less than 60 days before the order is placed, and Kmart, between 60 and 89 days.

While the rest of the brands delivered forecasts over 90 days before orders, if forecasts are inaccurate, this still makes it difficult for factories to plan.

To further understand the consequences of inaccurate forecasting, we interviewed factory management about what measures they take to ensure they meet orders in excess of forecast, or to mitigate the financial losses when order volume is significantly less than they had planned for.

In the latter scenario factories are left with excess production capacity and stand to lose money, having to pay wages and overheads. To minimise this loss, six in 10 factories said that they fill the unutilised capacity by accepting other orders at a low price.

This generates a race to the bottom, as factories and brands negotiate prices for last minute orders with unequal bargaining power, because the factories are desperate to fill unutilised capacity. Unsurprisingly, it is the workers, particularly women, who bear the main impact of inaccurate forecasting, as when orders are accepted at low prices they do not get paid on time or cost-cutting measures make working conditions unsafe.

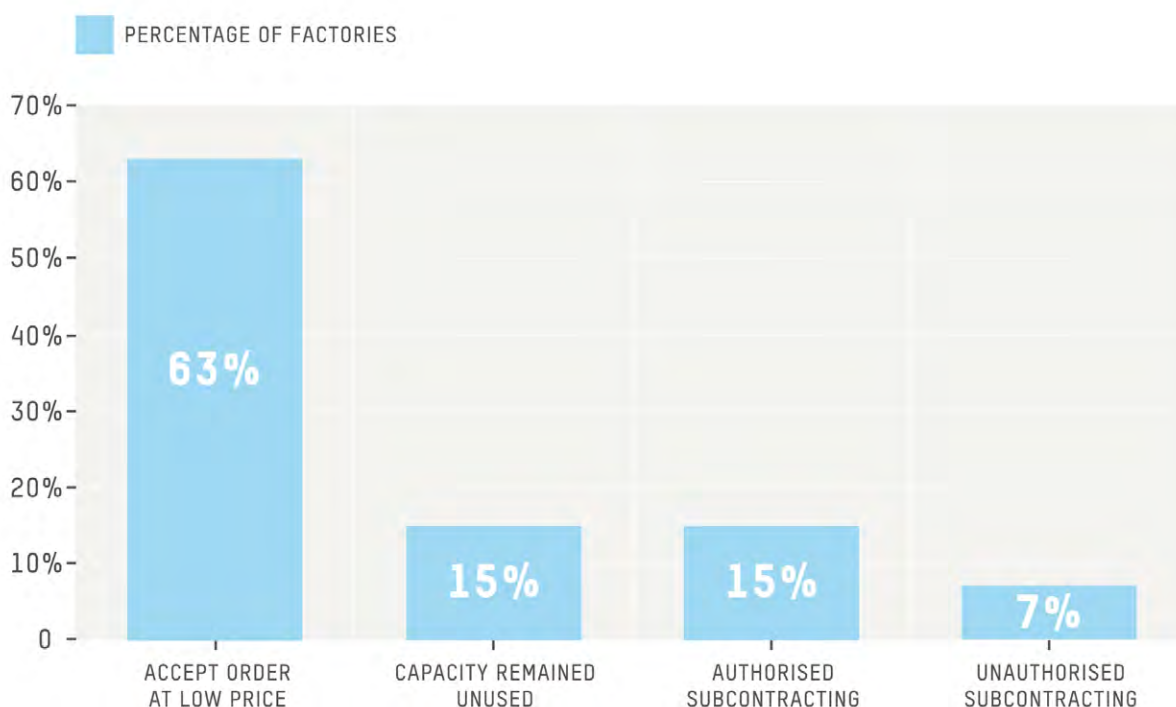
All the brands assessed for this report appear to shift the entire burden for managing underutilised capacity and financial loss due to inaccurate forecasting to the factories.

51. Galland, A. and Jurewicz, P. 2010, 'Best Current Practices in Purchasing: the Apparel Industry', As You Sow, viewed 20 November 2020, <https://www.asyousow.org/reports/best-current-practices-in-purchasing-the-apparel-industry>

52. Anner, M. 2019, 'Squeezing workers' rights in global supply chains: purchasing practices in the Bangladesh garment export sector in comparative perspective', Taylor and Francis Online, 27 June 2019, viewed 20 November 2020, <https://www.tandfonline.com/doi/abs/10.1080/09692290.2019.1625426>

53. Ibid.

FIG 4: CONSEQUENCES OF INACCURATE FORECASTING



When order volume exceeds forecast, factories feel pressure to accept the orders to keep the buyer happy and to maximise the profitability of their business. About 71% of respondents⁵⁴ reported that to deliver the excess order on time they set steep production targets for workers and require them to work overtime, while 29% of respondents subcontract other factories to fulfill excess orders.

When we asked about the impact of inaccurate forecasting on workers, respondents overwhelmingly expressed concern about excessive overtime, night shifts, working on weekends, refused leave, poor relationships between workers and supervisors, and the abuse and harassment of workers placing them under physical and mental stress. About 70% of the workers interviewed stated that they regularly work overtime.

Rubina,⁵⁵ a sewing machine operator producing garments for Inditex (Zara), told us that as a deadline approaches on a large order, workers are required to work on Friday, a holy day of worship, and on religious holidays, such as the evening before Eid.⁵⁶ Shamima, working for a factory producing garments for Target Australia,

stated that workers felt stressed because of high production targets and suffered from painful lower back injuries due to sitting for long periods of time.

5.3.4 FACTORY CAPACITY ASSESSMENT

By conducting capacity assessments before placing orders, brands can verify that factories have the necessary equipment, resources and workers to produce an order on time. This reduces the risk of orders being delayed and mitigates harm to workers by reducing the risk of excessive overtime and subcontracting.

Our research found that only H&M Group and Kmart always conduct factory capacity assessments or ask for capacity assessment reports prior to placing an order with the surveyed suppliers.

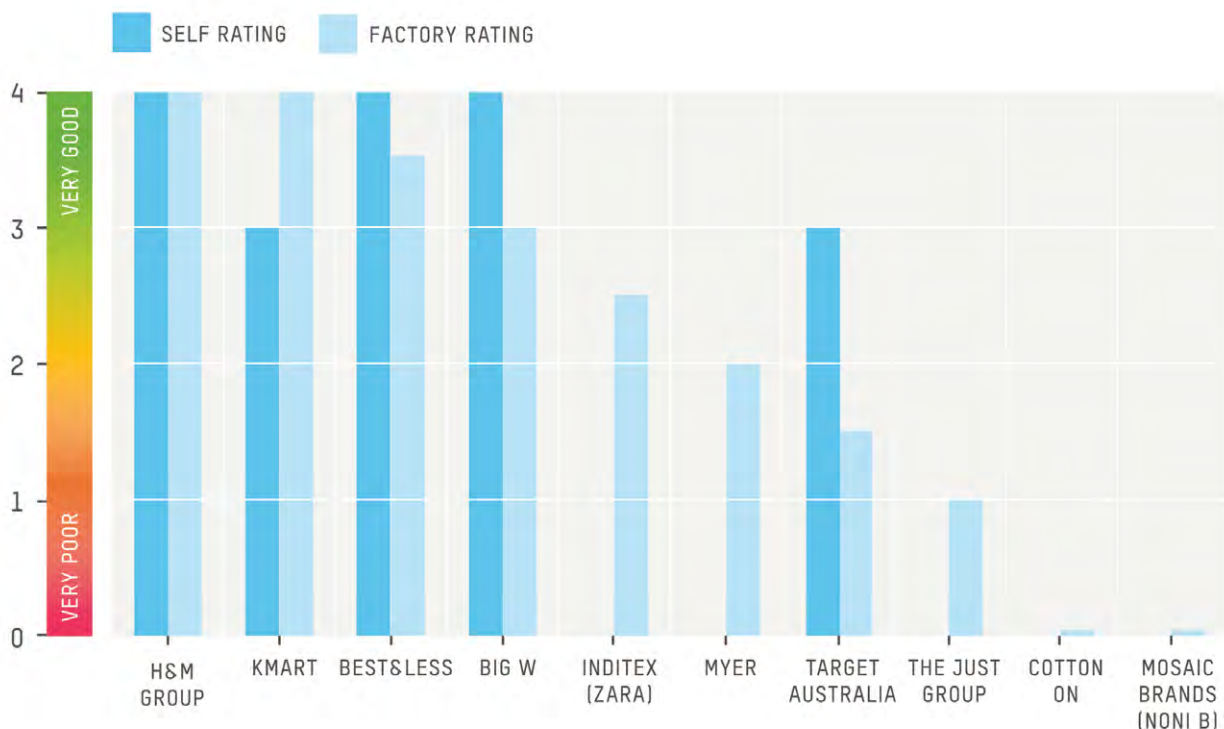
Neither Cotton On nor Mosaic Brands (Noni B) conduct production capacity assessments or ask for capacity assessment reports before placing orders in the surveyed factories. Just Group does it less than 80% of the time and Target Australia and Myer do it for 80–89% of orders.

54. Respondents are factory owners, merchandisers, production managers, supervisors and workers.

55. Respondents are not identified by their real name to avoid any negative impacts. Some of the interviews were conducted as a part of the previous study.

56. Eid is a religious festival celebrated by Muslims

FIG 5: PRODUCTION CAPACITY ASSESSMENT OF FACTORIES PRIOR TO ORDER PLACEMENT



0 = factory capacity assessments are never done, 1 = factory capacity assessments are done less than 80% of the time, 2 = assessments are done 80 - 89% of the time, 3 = 90 - 90% of the time, 4 = always.

By failing to conduct capacity assessments or asking for assessments to be undertaken by the factories, some brands are failing to mitigate the risk that their garments may be produced under exploitative conditions, including overtime beyond legal limits or in unauthorised factories.

5.4 PRICE SETTING

The cost price of a garment is the amount brands pay to factories to manufacture a product. This price is negotiated by a sourcing team within a brand’s corporate structure, responsible for placing orders with factories that will produce garments at the best price and highest quality, within a given timeline.

These negotiations occur in a context where brands are competing with each other to deliver garments to retail shelves in Australia and elsewhere in the global north with the largest possible profit margin. But factories are also competing with other factories to secure orders.

Aggressive price negotiations and consistent pressure to lower price can come at the cost of the rights and wellbeing of the women and men who make our clothes. Driving down the price that factories are paid for garments creates health, safety, and human

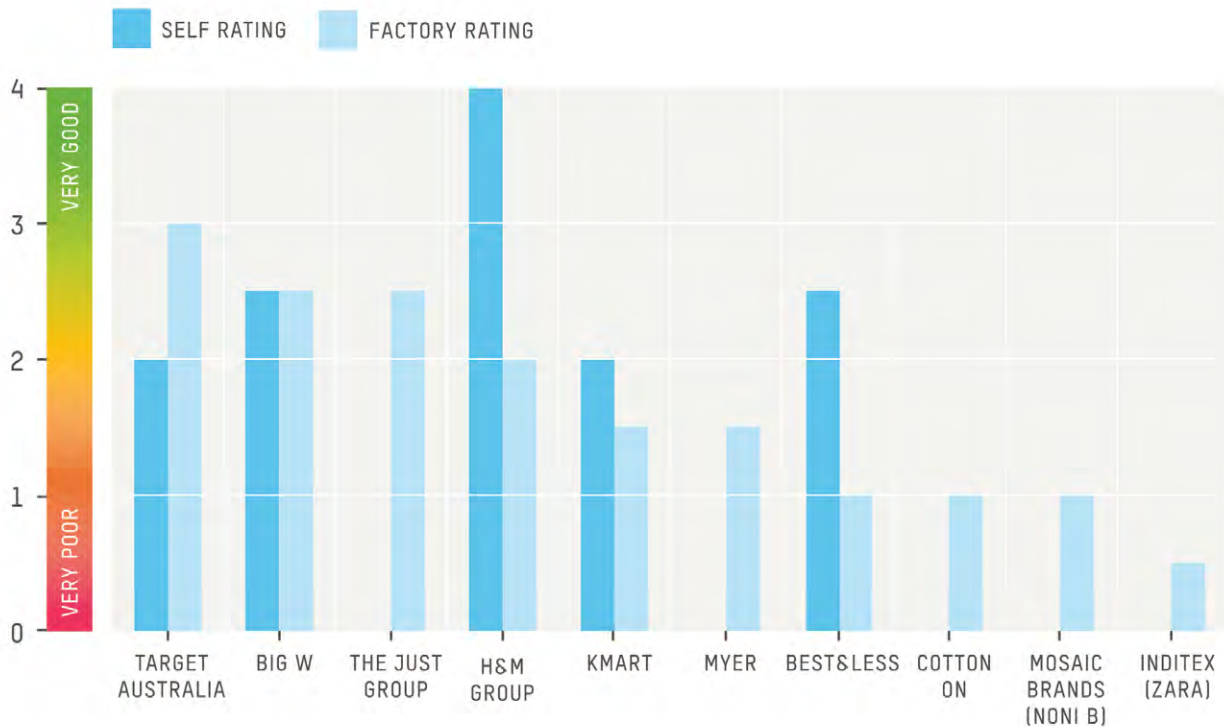
rights risks — including modern slavery — throughout the supply chain. These risks are not always clear to sourcing teams, as they generally sit in a different part of the corporate structure to the team that manages risk and the brand’s compliance with minimum standards set out in its code of conduct.⁵⁷

When a factory is able to produce garments in adherence with the minimum standards set out in the buyer’s code of conduct, this is known as compliant production. But there is a significant tension between the sourcing team’s imperative to negotiate the lowest price and a factory’s obligation to compliant production.

For instance, aggressive price negotiation by brands has an impact on factories’ ability to pay wages to their workers. The trend for factories to accept low prices leads to an ongoing power imbalance: the brand typically dominates, deriving the most value from the product, while the supplier is continuously under pressure to maintain high quality and productivity levels with less financial resources. Accepting lower prices not only directly affects workers’ pay but also working conditions, as suppliers are less able to invest in health and safety measures. Workers tend to see the least value from the product, and in every category of worker, women are the most vulnerable, often receiving

57. Anner, Mark (2019) ‘Squeezing workers’ rights in global supply chains: purchasing practices in the Bangladesh garment export sector in comparative perspective’, Taylor and Francis Online, Available at: <https://www.tandfonline.com/doi/abs/10.1080/09692290.2019.1625426>

FIG 6: PRICE SETTING PRACTICES: OVERALL RATING



the smallest share of the value.⁵⁸ This in turn results in workers having no choice but to accept wages below the cost of living.

Industry experts we interviewed expressed serious concerns that negotiation with buyers leads to lower prices most of the time and that the price of readymade garments has decreased in the last 10 years. They reported that factories frequently lose work if they refuse to reduce the price in order to ensure decent working conditions. Buyers simply opted to buy the product from another factory where they could get a lower price.

The President of one garment workers union stated, "If [the factory] gets paid \$6 for a product that is ultimately sold for \$50, how can we expect factory owners to maintain a profit margin and also ensure fair wages for workers, let alone be the protection of their rights and standards? Consequently, they [brands] are not maintaining proper purchasing practices. Because of it, the working environment gets severely impacted."

5.4.1 OVERALL RATING

To assess the price setting practices of brands, we asked factories and brands three questions:

1. Does the price paid by the brand cover the cost of compliant production?

2. Has the brand ever used high-pressure negotiation strategies to reduce price?
3. Is labour cost treated as a separate cost item when negotiating price?

All the brands were rated poorly by factories on their price setting practices, but brands also acknowledge their current price setting practices need to be revised and improved to take into consideration the impact on workers. The worst performers are Inditex (Zara), Mosaic Brands (Noni B), Cotton On, Best&Less, Myer and Kmart. While H&M Group leads in all other categories, they were not rated highly by their factories on price setting. Target Australia (rated higher by the factories than the self-report), Big W and The Just Group were rated better than the rest of the brands.⁵⁹

5.4.2 PRICE AND COMPLIANT PRODUCTION

Brands that have committed to ensuring workers are paid living wages hold their factories responsible for fulfilling this commitment and for providing decent working conditions. However, this is only possible if the price paid to suppliers allows them to maintain profitability at the same time as paying living wages, providing a safe work environment, and investing in facilities and necessary training for workers.

In interviews for this research, industry experts described a central predicament that factories must

58. Katharine Early (2017) Guide to Buying Responsibly, available at: <https://www.ethicaltrade.org/resources/guide-to-buying-responsibly>: Ethical Trading Initiative.

59. Target Australia and Kmart (both companies owned by Wesfarmers) told researchers that they apply the same purchasing practices. The difference in rating by the factories is due to the difference in responses received by the researchers. A different set of factories was selected for Target Australia and Kmart.

abide by brands' compliance guidelines at the same time as offering lower prices to those same buyers. If factories accept low prices to secure orders, they are unable to afford to maintain a safe work environment, invest in facilities for workers, train workers and pay living wages. On the other hand, if factory owners demand higher prices, they risk losing work to other suppliers. This dynamic causes some factory owners to engage in cost-cutting practices that not only impact on working conditions, but also impact the quality of the garments they produce, damaging the supplier's relationship with brands.

Factory survey results indicate that:

- 10–15% of Inditex (Zara) orders did not cover the cost of compliant production.
- 5–10% of orders from H&M Group and Best&Less did not cover compliant production.
- 1–5% of orders from Mosaic Brands (Noni B) and Cotton On did not cover compliant production.
- Orders from Big W, Just Group, Kmart, Myer and Target Australia are at a price which is just enough for compliant production.

The percentage of orders that did not cover the costs of compliant production over the past 12 months could be much higher than factories reported, as managers interviewed may not have wanted to admit that their factory is not compliant for fear of losing orders and to avoid embarrassment.

When factories were asked why they accept prices below the cost of compliant production, 73% said they agreed to such terms to secure future orders. Other reasons included perceived pressure from buyers, the need to mitigate financial losses (including from inaccurate forecasting discussed in the previous section) and to remain competitive with other factories.

These findings raise serious questions about the commitment of brands to ensuring workers in their supply chains are paid living wages, and work in safe and decent conditions, as many are still not paying enough to ensure the women who make our clothes are paid a living wage.

5.4.3 HIGH-PRESSURE NEGOTIATION STRATEGIES

For the purposes of this report, high-pressure price negotiation strategies are those that refuse to engage with the costs that make up the price, including overheads, raw materials, profit margin and wages.

More than 80% of suppliers surveyed reported that brands often apply high-pressure negotiating strategies to reduce price, the most commonly reported of which was sharing prices offered by other factories and telling the supplier to 'take it or leave it', a practice known as underground bidding.

Besides Big W, Target Australia and The Just Group, the factories surveyed report that all the other brands

employ high-pressure tactics when negotiating the price of an order. While The Just Group received low ratings in most other purchase practice categories, they were rated higher by their surveyed factories for price setting and negotiation. During brand interviews, Target Australia and Kmart reported they do sometimes apply high-pressure tactics to reduce price, but the Target Australia factories surveyed for this research did not report this experience.

Inditex (Zara), Best&Less, Mosaic Brands (Noni B) and Cotton On are the worst offenders in terms of putting pressure on factory owners to reduce price. Myer has not been rated as the surveyed factories chose not to respond to this question.

The data suggests a relationship between brands applying high-pressure negotiation tactics and the frequency with which they fail to pay a sufficient price to ensure compliance with their own code of conduct. According to the factory responses, brands that applied high pressure tactics 'most of the time' or 'regularly', also paid below the cost of compliant production, including Inditex (Zara), Best&Less, Mosaic Brands (Noni B), Cotton On and H&M Group.

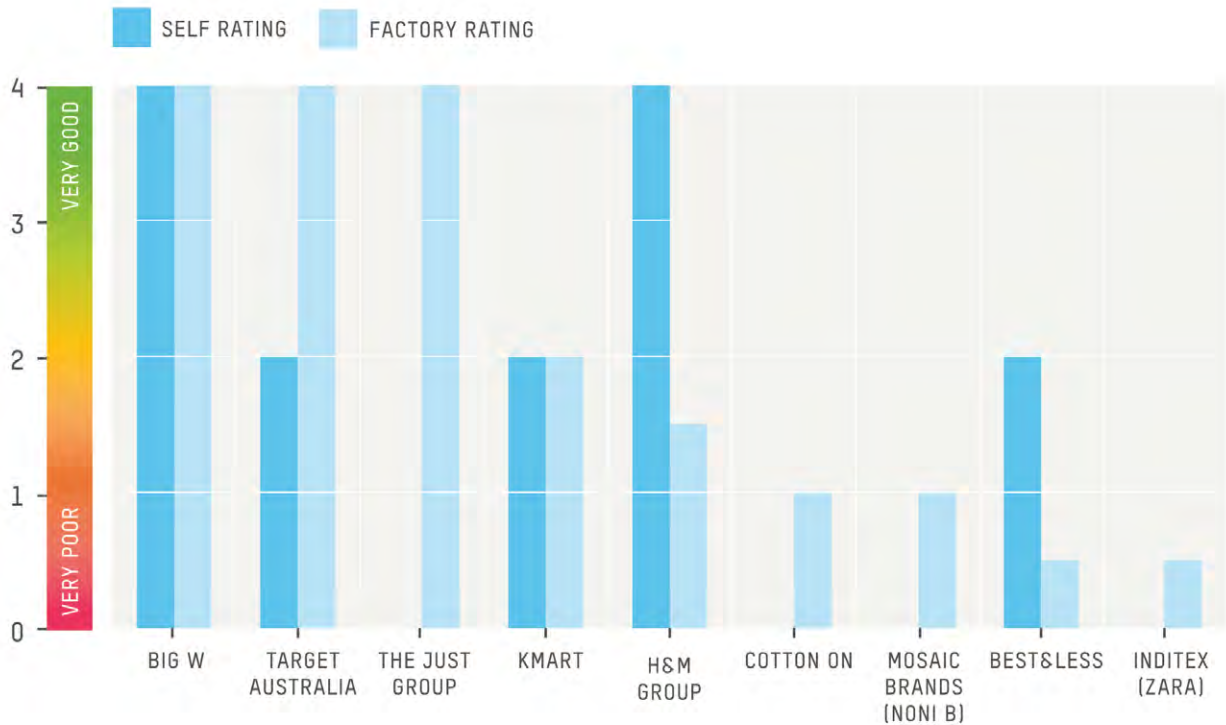
Factories reported that Kmart only 'sometimes' applies high-pressure negotiation tactics, and paid for compliant production. Just Group, Target Australia and Big W pay for compliant production and were not reported by the surveyed factories to apply high pressure negotiation strategies.

In such a competitive environment, suppliers who are committed to decent working conditions and accurately costing the product run the risk that brands will switch to another factory, where pay and conditions are not assured. To remain profitable under high-pressure situations, it is very common for factory owners to exert pressure on workers by increasing their production targets — forcing them to make more items faster.

Masud, a sewing machine operator, said in her interview that forced overtime is very common. He works under tremendous mental pressure. His main concern is to finish work on time because otherwise his supervisor abuses him verbally. Salma, another sewing machine operator, revealed that she suffers from neck pain and headache due to exhausting long hours of performing the same work over and over again.

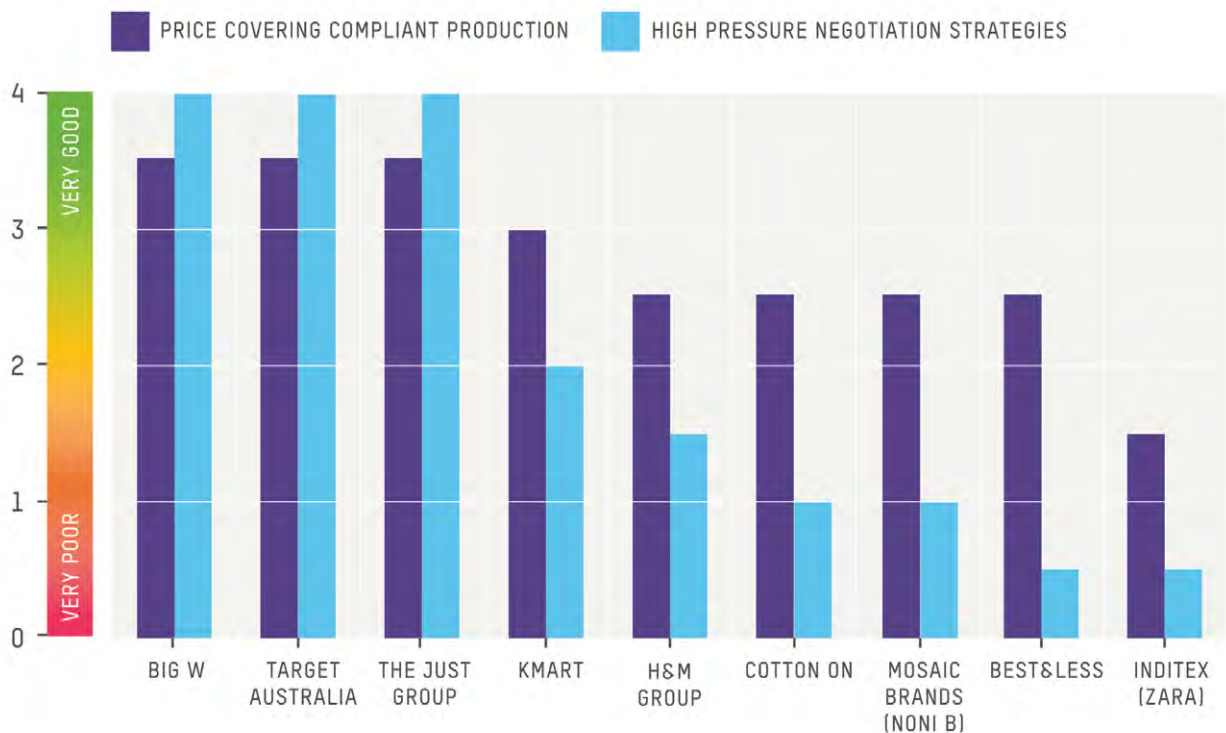
Pressure to reduce costs also increases the likelihood of suppliers engaging in unauthorised sub-contracting to other factories without a brand's knowledge. Without adequate monitoring of workplace conditions or any oversight of wages, these factories produce garments at a cheaper rate, paying poverty wages to their workers and increasing the risk of workplace abuse. To further cut costs, factories hire workers through contractors to avoid making the social security and pension contributions that are required by law. For example, in Cambodia (outside the scope

FIG7: FREQUENCY OF BRANDS APPLYING HIGH-PRESSURE NEGOTIATION STRATEGIES TO REDUCE PRICE



0 represent brands always use high pressure to reduced price, 1 represent often, 2 represent sometime, 3 represent rarely and 4 represent never.

FIG 8: COMPARING PRICE OFFERED FOR COMPLIANT PRODUCTION AGAINST PRESSURE TO REDUCE PRICE



of this research), factories repeatedly use short-term contracts in excess of legally permissible limits, citing seasonal variations in brand orders.⁶⁰

Constant pressure to lower prices also creates an environment where factory owners actively pursue an anti-union agenda, assuming that unions raise costs by bargaining to increase workers' wages and benefits.⁶¹

5.4.4 TREATING LABOUR COSTS SEPARATELY

Separating out labour costs in price negotiations, a practice known as ringfencing, is a critical step to ensuring workers who make our clothes are paid a living wage. The process gives brands visibility of the small percentage of the cost price paid to garment workers and allows sourcing teams and factory management to quarantine this line item in the process of negotiating the price of each garment order.

This process also allows brands and consumers to understand how much the retail price of a garment would need to be in order to ensure workers are paid a living wage. In fact, previous research undertaken by Deloitte Access Economics for Oxfam found that, on average, labour costs only make up 4% of the overall cost of garments, and that it would only require an increase of 1% to the retail cost of those garments to ensure those who make our clothes are paid a living wage.⁶²

Treating the cost of labour as a separate item is a key requirement of the agreement brands sign up to when joining ACT,⁶³ and why the organisation has developed labour costing protocols and included this as an item in its purchasing practice self-assessment tools and accountability and monitoring framework.

To date Big W, Inditex (Zara), Kmart, Cotton On and H&M Group along with 15 other global brands are signatories of this initiative, yet our research reveals that these brands are not routinely considering labour costs as a separate item in price negotiations.

When surveying factories about the brands assessed in this report, we found that apart from H&M Group, none of the brands separate labour cost while negotiating price.

H&M Group reported that they do so 'all the time,' however factories report that they only do it 'sometimes'. Wesfarmers brands Kmart and Target Australia, and Big W informed us that they are in the process of implementing separating out the wage component. Best&Less also claimed they do so 'at times', however the claim was not supported by data from the factories that participated in this study.

By failing to separate out the cost of labour in price negotiations, brands are undermining their own commitment to pay a living wage and to improve the working conditions of the women who make our clothes. They must implement this as an urgent next step in improving their buying practices.

5.5 INCENTIVES AND SUPPORT TO ACHIEVE SOCIAL AND ENVIRONMENTAL COMPLIANCE

Social and environmental standards are minimum requirements set by buyers, financiers, regulators and international organisations, designed to protect the environment and the rights, health and safety of workers. In the garment sector, retailers expect their factories to comply.

But a brand's purchasing practices have a direct impact on a factory's ability to comply with these standards, including those contained in the brand's own code of conduct. As detailed in the previous sections, constant pressure on suppliers to reduce the cost price of garments leads to factories implementing cost-cutting measures that limit their ability to increase wages and provide a safe working environment.

Audits conducted by the brands to check if suppliers are complying with social and environmental standards have turned into a 'cat and mouse game' where factories try to hide exploitative practices for fear of losing business.^{64 65} Our research indicates that this one-sided, punitive auditing process is not effective in improving compliance as it obscures bad practices and ignores the causative relationship between poor purchasing practices by brands and non-compliance by suppliers. In a recent article on mechanisms to detect human rights abuses and modern slavery, academics Jolyon Ford and Justine Nolan cite the work of LeBaron et al to claim that there is two decades of evidence that social audits "generally fail to detect or correct

60. Human Rights Watch, 2019, "Paying for a Bus Ticket and Expecting to Fly" How Apparel Brand Purchasing Practices Drive Labor Abuses, viewed 20 November 2020, <http://www.respect.international/paying-for-a-bus-ticket-and-expecting-to-fly-how-apparel-brand-purchasing-practices-drive-labor-abuses/>

61. Anner, M. 2019, 'Squeezing workers' rights in global supply chains: purchasing practices in the Bangladesh garment export sector in comparative perspective', Taylor and Francis Online, 27 June 2019, viewed 20 November 2020, <https://www.tandfonline.com/doi/abs/10.1080/09692290.2019.1625426>

62. Emran, N. and Kyriacou, J. 2017, *What She Makes: Power and Poverty in the Fashion Industry*, Oxfam Australia, October 2017, viewed 20 November 2020, https://whatshemakes.oxfam.org.au/wp-content/uploads/2017/10/Living-Wage-Media-Report_WEB.pdf

63. ACT is an agreement between global brands, retailers and trade unions to transform the garment, textile and footwear industry and achieve living wages for workers through collective bargaining at industry level, linked to purchasing practices.

64. Clean Clothes Campaign, Fig Leaf for Fashion. *How social auditing protects brands and fails workers*, September 2019, viewed 20 November 2020, <https://cleanclothes.org/file-repository/figleaf-for-fashion.pdf/view>

65. Corpwatch, *Social audits 'are failing to detect factory abuses'*, November 2005, viewed on 20 November 2020, <https://corpwatch.org/article/world-social-audits-are-failing-detect-factory-abuses>

labo[u]r and environmental problems in global supply chains” (LeBaron et al 2017, 1).⁶⁶

Industry experts interviewed for this research reported that some factories simply ‘show-off’ adherence to labour standards to the auditors rather than implementing them as regular practice. For this reason, auditing must be done very thoroughly, however, respondents from factories recommended that a partnership approach is adopted by the brands. If non-compliance is discovered, buyers would allow time for factories to fix the issues and work with them to improve practice, providing assistance such as training, technical or financial support. This approach was also supported in interviews with the brands.

As long as the fault does not generate an immediate serious risk to health and safety, this approach could also work better for factory workers, as immediately cancelling orders or closing the factory down due to compliance failures costs the workers their jobs and wages.

Beyond their response to specific faults, brands must build on their efforts to take a more collaborative approach to compliance, by recognising that their purchasing practices have an impact on the capacity of factories to justly remunerate workers and to provide a decent and safe working environment.

5.5.1 OVERALL RATING

To explore the relationship between the practices of brands and the compliance of factories with social and environmental standards, researchers compared responses by brand and factory representatives to the following five questions:

1. Does better compliance lead to better price for the factories?
2. Does the brand reward factories due to improvements in compliance in ways apart from offering a better price?
3. Does the brand provide any regular support to help the factory meet the requirements of their code of conduct?
4. Does the brand’s procurement staff make demands that conflict with compliance requirements?
5. Does the contract include a code of conduct?

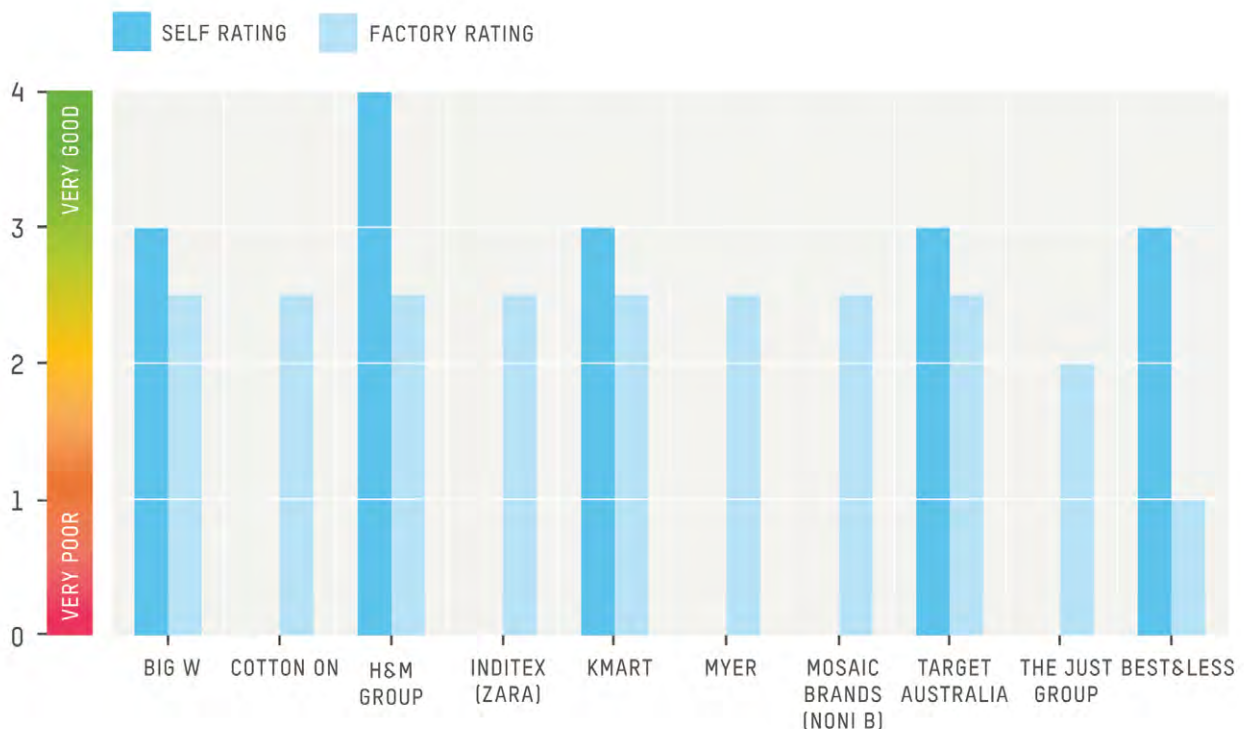
Factories rated most brands similarly, at 2.5 out of 4. Only The Just Group and Best&Less were rated lower than the others, indicating that they offer the least support to factories to improve their compliance standards.

5.5.2 BETTER COMPLIANCE DOES NOT SECURE A BETTER PRICE

All factory respondents said brands do not offer a better price for improved compliance. They also reported that being part of legally binding agreements

66. Ford, J. and Nolan, J. 2020, ‘Regulating Transparency on Human Rights and Modern Slavery in Corporate Supply Chains: The Discrepancy Between Human Rights Due Diligence and the Social Audit’, Australian Journal of Human Rights, Vol 26 (1), pp. 3, viewed 20 November 2020, <http://classic.austlii.edu.au/au/journals/UNSWLRS/2020/29.html>

FIG 9: SUPPORT TO FACTORIES TO ACHIEVE COMPLIANCE



to improve conditions, such as the Accord or the Alliance,⁶⁷ did not allow them to get a better price from any of the brands, who instead assess a factory's performance primarily against production quality, price and time between order placement and shipment. These dynamics place pressure on factories to agree to lower prices and unrealistic lead times, and it is workers who pay the cost. In such an environment, it is much harder to pay living wages or to improve working conditions.

Besides H&M Group, all the buyers acknowledged that they do not offer a better price to factories that are more compliant with social and environmental standards set by brands.

5.5.3 BETTER COMPLIANCE IS NOT REWARDED

We asked factory and brand representatives if better social and environmental compliance lead to factories receiving any incentives beyond a better price, such as higher volume of orders more often, or better payment terms. In every instance, the brand response contradicted the factory response.

Brands reported they 'always' assist compliant factories by offering incentives such as higher and more consistent order volumes. However, no factory respondents corroborated this claim and said while better compliance with standards allows them to keep the brand's business, it does not translate to receiving any additional rewards.

Jamal Munshi,⁶⁸ Executive Director of a leading garment factory in Bangladesh, said, "On one hand, I have to abide by the compliance and on the other hand, I have to offer low prices to the buyers; so, if I don't get enough orders and the pricing issue doesn't change, I can't afford to maintain compliance."

Over the years, social and environmental requirements by brands have increased, which is a good thing for businesses, the environment and workers. But factory compliance with these standards appears not to be rewarded by increases in price or any other incentives.

Factory respondents did report that brands offer some training to factories to improve compliance with the

occupational health and safety components of the brand's code of conduct.

5.5.4 COORDINATION BETWEEN COMPLIANCE AND SOURCING TEAM REQUIREMENTS

Survey data indicates that brands' compliance and sourcing teams work in a coordinated manner. For example, if a compliance team reports that the factory employs child labour, the sourcing team will not place any further order till the issue is fully resolved as this is a zero-tolerance issue.

Most factories reported that brands' ethical standards are clearly communicated to them and part of the contract they must sign. Only two factories supplying Best&Less stated that the ethical standards of Best&Less are not communicated to them and not a part of the contract. The researcher could not verify this by physically examining the contract / purchase orders.

5.6 ORDER PLACEMENT

How brands place orders with their supplier factories has a huge impact on working conditions. For example, a brand might place a purchase order of 20,000 t-shirts with a factory. The purchase order usually includes the agreed price the brand will pay per t-shirt, technical specifications, delivery date and other terms and conditions, such as penalties if the order is delivered late.⁶⁹ If a purchase order does not include clear specifications, the factory has to go back and forth with the brand to clarify and correct specifications. This takes up valuable time and results in workers having less time to complete the order.

This impacts workers, who may be forced to do extra night shifts, work over weekends and under extreme pressure to complete the order on time. This pressure includes the mental strain and stress on workers to perform faster and harder to complete orders more quickly.

The Executive Director of an NGO in Bangladesh told us, "The work culture of our country is to overwork the workers and pay them less and both the buyers and the factory owners are responsible for this practice. The garment industry may have become one of the largest sectors in the country today, but the living standards of the workers have not increased; even the mental torture inflicted on them has not decreased."

67. The Accord was an independent, legally binding agreement between brands and trade unions to work towards a safe and healthy garment and textile industry in Bangladesh. The Alliance was a similar initiative, made up of mainly north American brands which would not sign the Accord as they wanted a non-legally binding commitment. Both agreements were established for a five-year period which expired in 2018, though the Accord was extended until May 2020.

68. Industry experts are not identified by their real name to avoid any negative impacts.

69. Factories interviewed for research conducted by Human Rights Watch indicated that in some cases, brands misuse penalty clauses in purchase orders to pass on losses they faced if their products did not sell in the market. Whilst this practice is not a focus of the research conducted in this paper, it is interesting to note that brands have been known to abuse purchase order terms and conditions to penalise factories, even where orders were not late. Kashyap, A. 2019, *Paying for a Bus Ticket and Expecting to Fly: How Apparel Brand Purchasing Practices Drive Labor Abuses*, Human Rights Watch, 23 April 2019, viewed 22 June 2020, <https://www.hrw.org/report/2019/04/23/paying-bus-ticket-and-expecting-fly/how-apparel-brand-purchasing-practices-drive>

5.6.1 OVERALL RATING

Good order placement practice is made up of six components, assessed in this study through the following questions:

1. What percentage of brands' purchase orders in the last 12 months were accurate and complete (including technical specifications) and did not require the factory to request clarification from the brand?
2. Was the lead-time reasonable compared to order volume?
3. Does the brand change order quantity at the last minute?
4. Did the brand miss any deadlines of the key milestones, such as approving samples, order confirmation, providing technical details, nominating fabric and other raw material suppliers, in last 12 months?
5. If the brand missed milestones, was the brand flexible and accountable in ensuring adequate production time?
6. Was the brand flexible and accountable in ensuring adequate production time because of unavoidable reasons, such as flood or strike?

Overall, the order placement practices of the brands included in this study are better than many other European and North American brands. The brands did comparatively well, providing accurate orders to factories more than 90% of the time.⁷⁰ Brands also did well by reportedly rarely making last minute changes to order quantities.

5.6.2 LEAD TIME AND EXCESSIVE WORKING HOURS

'Lead time' is the time from the date a brand confirms an order to the date the garments are readied for shipment at the factory. If the brand places the order in a rush, it gives the factory little time to complete the order, which in turn places pressure on workers, resulting in overtime, night shifts and weekend work.

Regularly working overtime has significant health impacts for workers. Our *Made in Poverty* report showed 77% of workers in Bangladesh and 94% of workers in Vietnam who worked in factories supplying Australian brands are unable to take sick leave when needed, due to excessive overtime and work pressure.⁷¹

A union leader in Bangladesh revealed during an interview for this study, "[Brands] do not give proper price rate or lead time, or they provide late orders. This affects the factory owners, and in turn, the workers, whose wages and standards are consequently not adequately met, leading to a final output of poor quality products."

The factory responses to this research delivered a mixed picture of the lead time the brands provided factories. Factories reported that:

- Kmart, Mosaic Brands (Noni B), Myer and Target Australia forced unreasonable lead time on suppliers for less than 5% of their orders.
- Big W, Cotton On, The Just Group forced unreasonable lead time for 1–10% of their orders.
- Best&Less and Inditex (Zara) forced unreasonable lead time for 5–15% of their orders.
- H&M Group forced unreasonable lead time for 10–20% of their orders, and recorded the biggest difference between their self-rating (4) and factory rating (1). Shorter lead times for fast fashion⁷² brands like H&M Group and Zara are very common.⁷³

The survey data reveals that opinion on lead time varies widely among owners, merchandisers, production managers and supervisors. From our interviews, factory owners indicated lead time was 'more or less okay', however a production manager or supervisor from the same factory often reported that they felt lead times were unreasonable, showing a disconnect even within factories. **Overall, 15% of respondents – particularly production managers and supervisors – said that lead time is 'never' reasonable.**

Almost a quarter of factories said short lead times resulted in staff overtime hours exceeding legal limits.

Respondents reported moderate to extreme impacts of short lead times – including difficulty in production planning (28%), overtime beyond the legal limit (24%), raising the cost of production (16%), pressure to undertake cost-cutting measures such as cutting corners on compliance (12%), negative impacts on the physical (25%) and mental (18%) health of the workers, refusal of worker's leave (10%), and abuse and harassment (6%).

70. Australian brands covered in this study had better results than those in the "Guide to buying responsibly report" based on almost 1,500 suppliers' responses supplying to UK, Denmark and Norway-based companies across multiple sectors. The report revealed that less than three-quarters (67%) of the suppliers' technical specifications were accurate or very accurate. This may also be the result of the bigger sample size. 57 Early, K. 2017, *Guide to Buying Responsibly*, Joint Ethical Trading Initiative, viewed 20 November 2020, https://www.ethicaltrade.org/sites/default/files/shared_resources/guide_to_buying_responsibly.pdf

71. Emran, N, Kyriacou, J and Rogan, S, 2019, *Made is Poverty: True Price of Fashion*, Oxfam Australia, viewed at 20 November 2020, <https://whatshem-akes.oxfam.org.au/wp-content/uploads/2019/02/Made-in-Poverty-the-True-Price-of-Fashion.-Summary.-Oxfam-Australia.pdf>

72. Fast fashion is low cost clothing collections that copy current fashion trends. These trends change very quickly, often causing new styles and trends to become obsolete in a matter of weeks. Fast fashion garments are cheap and usually made from lower quality materials.

73. Rauturier, S, 2020, 'What is Fast Fashion?', *Good On You*, 10 May 2020, viewed 30 July 2020, <https://goodonyou.eco/what-is-fast-fashion>

These are similar findings to those included in *Made in Poverty*.⁷⁴ Factory managers in Vietnam and owners in Bangladesh supplying to brands in Australia repeatedly told us they accept small orders at a low price with the hope of receiving high volume orders later from the same brands. One supervisor in Vietnam told us that due to the change and diversity requirements of fast fashion, their delivery time for orders in the last five years has reduced by 10–20% and the urgent orders are more frequent. Urgent orders create pressure for workers to complete the order, especially in the peak season. Owners in Bangladesh experience the same scenario. One told us, “[l]ead time always change[s]. Last time, the buyers order to deliver it before 15 days of lead time. It is a pressure for us. But if we mitigate the lead time, then we will get more order from them.”

5.6.3 LAST MINUTE CHANGES, MISSING DEADLINES AND FLEXIBILITY

According to factory responses to survey questions, brands rarely change order quantities at the last moment. 86% of respondents said that they have experienced this for less than 10% of the orders in last 12 months. This is a good practice by the brands, as last-minute changes to quantity can lead to the garments needing to be shipped by air. This is a more expensive option and leaves factories having to choose between incurring steep air freight costs to meet agreed-upon delivery times, or finding ways to make their workers finish the order more quickly.

Survey results also show that the brands rarely miss key milestones. For example, 71% of factory respondents said they have not experienced brands missing key milestones and whenever it happens, brands are generally flexible and accountable in ensuring adequate production time (93% of respondents.) Nearly all factory respondents (94%) said brands allow additional production time when production is delayed due to unavoidable reasons such as environmental crises or strikes.

Best&Less and Inditex (Zara) received a slightly lower rating than the other brands in terms of flexibility. Inditex (Zara) and The Just Group rated slightly lower than the other brands in missing key milestones. Changing style after placing the order happens rarely. 84% of respondents said they have not experienced style changes after placing the order from the surveyed brands.

5.7 PAYMENT TERMS AND CONDITIONS

Payment terms and conditions that brands impose on the factories reduce risks for brands but expose factories to significant risk.⁷⁵ Non-payment, late payment and reduced payments by brands have put factories under increasing pressure and this has an immediate flow-on effect on working conditions. The unbalanced risks placed on factories through the sales contract payment system have been exposed by the COVID-19 pandemic. Brands, citing the extraordinary circumstances caused by the virus, are withholding payments or cancelling orders, leaving factories without the security of a bank guarantee, and financially exposed.⁷⁶

In response to feedback from suppliers and public pressure, some companies committed to pay for all orders placed before the pandemic hit.

5.7.1 OVERALL RATING

Payment terms and conditions are made up of 10 key components, reflected in the questions below.

1. Does the brand pay for samples?
2. If so, does the brand pay on time for samples?
3. Is price the main reason why the brand terminates the relationship with the factory?
4. Does the brand pay the factory in line with the agreed timeline?
5. Is the amount paid to the factory in line with the payment terms agreed?
6. Did the brand make any retrospective changes to the payment terms, which were not mutually agreed?
7. Did the brand make retrospective changes to the payment terms, which were mutually agreed, but to the detriment of the factory?
8. Did the brand impose any payment penalties that fell outside the terms of the purchase agreement?
9. Does the purchase agreement/contract clearly reference financial consequence for non-performance?
10. Did the brand provide any favourable terms over the last 12 months?

Besides The Just Group and Best&Less, factory respondents rated all the brands 2.5 out of 4. Best&Less received 2 out of 4 and The Just Group received 3 out of 4.⁷⁷

74. Emran, N, Kyriacou, J and Rogan, S, 2019, *Made is Poverty: True Price of Fashion*, Oxfam Australia, viewed at 20 November 2020, <https://whatshem-akes.oxfam.org.au/wp-content/uploads/2019/02/Made-in-Poverty-the-True-Price-of-Fashion.-Summary.-Oxfam-Australia..pdf>

75. The traditional purchasing model involved the use of telegraphic transfers (TTs) where the manufacturer would receive 60–70% of the order value of the goods being purchased in advance to be able to procure the necessary raw materials (fabric and trims). The buyer would then settle the outstanding balance for the finished production once the finished production had been shipped. Over recent years Sales Contracts (SC) have become prevalent. A manufacturer will rely on a Purchase Order (PO) from a customer to execute an order. Under the terms of the SC, the brand commits to making payment for the goods, after receiving copies of the documents relating to shipment of the order. This places all the financial risk of any delay or issue with the factory regardless of whether the work has been completed. Anner, M. 2019, ‘Squeezing workers’ rights in global supply chains: purchasing practices in the Bangladesh garment export sector in comparative perspective’, *Taylor and Francis Online*, 27 June 2019, viewed 20 November 2020, <https://www.tandfonline.com/doi/abs/10.1080/09692290.2019.1625426>

76. Uddin, M. 2020, ‘An overhaul of payment terms needed for the RMG industry’, *The Daily Star*, 11 May 2020, viewed 20 November 2020, <https://www.thedailystar.net/opinion/news/overhaul-payment-terms-needed-the-rmg-industry-1901335>.

77. The best possible rating in this category is 4, while the worst possible rating is 0.

TABLE 1: IS PRICE THE MAIN REASON WHY BUYERS SHIFT ORDERS TO ANOTHER FACTORY?

	BRANDS	FACTORIES
Best&Less	Rarely	Always
Big W	Never	Always
Cotton On		Always
H&M	Rarely	Always
Inditex (Zara)		Always
Kmart	Rarely	Always
Mosaic Brand (Noni B)		Always
Myer		Always
Target Australia	Rarely	Always
The Just Group		Always

This rating indicates that factories are not getting fair payment terms from the brands.

5.7.2 PAYING AGREED AMOUNT ON TIME

Our research indicates that prior to COVID-19 the brands covered in this study were paying factories on time and in line with the agreed payment terms agreed. The factories that participated in this study indicated that brands very rarely imposed any payment penalties outside the terms of the purchase agreement. However, as stated above, this situation changed significantly when the COVID-19 pandemic occurred.

5.7.3 FAVOURABLE TERMS

While factories provided overwhelmingly positive feedback on brands (pre-COVID-19) paying on time and paying the agreed amounts for completed orders, there were very different answers from factories and brands when it came to brands providing favourable terms and the reasons why a brand might withdraw from their factory. Favourable terms would include paying in advance or arranging an interest free loan. **While brands that responded to the survey said they 'never' or 'rarely' terminate a relationship or switch factories because of price, 100% of factories surveyed reported that brands 'always' terminate their relationship or shift orders to another factory if the suppliers is unable to meet the buyer's demands for a lower price.** The extreme pressure on factories to provide lowest possible prices to brands is well documented and has a downward pressure on workers conditions.

During an interview, an Executive Director of a garment factory told us, "There were plenty of occasions when I couldn't reduce the price in order to maintain the quality of the product, and the buyers ended up buying the product from another place where they got lower prices and I have seen no change so far in this regard. Many brands place more emphasis on low prices."

5.7.4 FREE SAMPLES

Brands and factories also gave conflicting responses regarding payment for producing samples. Brands often require factories to produce samples of the garment before placing a full order. While some of the brands claimed they paid factories for making samples, **the factories indicated that none of the brands paid for samples.**

Big W reported that they always pay for samples, Kmart said they rarely pay for the samples and H&M Group reported they sometimes pay for samples. Most of the brands stated that sample cost is imbedded in the final order, however this claim was not supported by the responses from factories.

If factories are making samples for free, it eats into the factories' bottom line. Whenever the factories are not paid for work, this financial squeeze is passed on to workers in the form of late wages and pressure to complete orders more quickly to make up for the financial loss.

6. RECOMMENDATIONS

6.1 BRANDS

Oxfam is calling on all major fashion brands operating in Australia to act urgently to reduce their exposure to human rights risks and ensure the payment of living wages in their supply chains. To do this, brands must:

- Publish and regularly update a list of the factories they source from.
 - Publish a public commitment and a plan to ensuring the payment of living wages throughout their supply chains, including a timeframe by which they will achieve key milestones.
 - Publish a responsible purchasing practices policy, aligned with the UN Guiding Principles on Business and Human Rights, and the OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector.⁷⁸ The policy must be developed in consultation with labour unions and workers, and:
 - Ensure labour costs are 'ringfenced' (calculated and listed as a separate item) in price negotiations with suppliers, to facilitate payment of a living wage.
 - Outline a plan to embed the policy across all departments of the brands, agents and factory performance assessments, incentives and training programs.
 - Set key performance indicators to monitor improvement in purchasing practices and set out a timeline for publicly reporting of progress.⁷⁹
 - Include a mechanism for suppliers to provide anonymous feedback on the brand's purchasing practices.
 - Join initiatives that combine collective brand reform on purchasing practices.
 - Establish a system to assist factories that have collective bargaining agreements to improve working conditions, complying with labour and environmental standards, and ensuring payment of living wages.
- Advocate to sourcing country governments to increase the minimum wage to match a living wages, including by providing a clear commitment to conduct business in countries where legislation mandates the payment of living wages.
 - Work together to develop a new and fairer system of payment terms for the industry, that includes advance payment to manufacturers for raw materials, with the balance payment guaranteed by a sales contract.⁸⁰

6.2 GARMENT MANUFACTURERS (FACTORIES)

- Invest in upgrading workers' skills and productivity to be more efficient and competitive on the basis of quality and delivery and not rely on cheap labour.
- Factories need to network with each other in order to collectively tell the brands to raise their purchasing price. The garment employers' associations should work with companies and trade unions to have a standard living wage, as a separate cost component in pricing, which can be non-negotiable.
- Factory owners should be transparent about how they calculate unit prices and production targets with workers, including real involvement from workers and their representatives in calculating unit prices and product targets within standard working hours to ensure that workers are not exhausted. This would then be the basis for factories' negotiations with buyers on prices.
- Employers' associations need to speak up and act to prevent price competition, preventing the race to the bottom among domestic garment firms. At the same time, the employers' associations should unite to demand the brands raise their cost price, including payment of a living wage and improvement in working conditions for garment workers.

78. Brands can refer to the Ethical Trading Initiative's 'Guide to Buying Responsibly' report for detailed guidance for companies on purchasing practices, drawing on the findings of a collaborative supplier survey run in partnership between the joint ethical trading initiatives and the IL0, with support from SEDEX. See Katharine Early (2017) Guide to Buying Responsibly, available at: <https://www.ethicaltrade.org/resources/guide-to-buying-responsibly>; Ethical Trading Initiative.

79. Brands may refer to indicators developed by Action Collaboration and Transformation (ACT) on purchasing practices as a starting point. See Action Collaboration Transformation, Change Purchasing Practices, available at: <https://actonlivingwages.com/purchasing-practices/> (Accessed: July 13 2020).

80. Payment terms within the apparel industry benefit the brands but expose the supplier to financial risks. The supplier gets paid anything between 30 and 150 days after shipment. Factories do not get advance payment to procure fabric and other raw materials. The flaws in this payment system have been harshly exposed in the aftermath of the COVID-19 pandemic as brands initially withheld payments or cancelled orders, leaving manufacturers financially exposed and resulting in workers being stood down without pay.

- Engage unions and workers’ representatives, ensuring that workers are able to have a representative who can voice their concerns regarding working conditions in factories and meaningfully participate in all wage negotiations.

6.3 GOVERNMENT OF GARMENT PRODUCING COUNTRIES

- Evaluate the current wage setting process through consultation, research and review every two years. In between years, the minimum wage must be adjusted for inflation.
- Bring into effect a number of schemes to address social security of workers, including housing, health insurance and pension schemes.
- Set a roadmap to increase the current national minimum wage to living wage levels, in line with the globally accepted definition of living wages. This could happen over time to allow the market to adjust.
- Ratify fundamental international labour conventions, especially the Freedom of Association and Protection of the Right to Organise Convention (C87, 1948) and the

Collective Bargaining Convention (C98, 1981).

- Collaborate with other governments from garment-producing countries, global organisations like Industrial, global institutions and regional bodies such as the Association of Southeast Asian Nations (ASEAN) to collaborate on lifting wages together.

6.4 TRADE UNIONS

- Trade unions need to work together to strengthen their capacity to negotiate and undertake collective bargaining for workers at the sectoral level.
- Focus on educating and ensuring workers in each factory to understand their rights and responsibilities to organise and form trade unions. In addition, trade unions should take an active role in monitoring wage practices and negotiating production targets.
- Strengthen regional and global level union network to track all acts by the brands, manufacturers and government and to ensure transparency and accountability of the respective stakeholders.



Dhaka, Bangladesh: Garment worker Bindu* holds a shirt with a “Made in Bangladesh” tag outside her home in Dhaka. Photo: Fabeha Monir/OxfamAUS. *Name changed to protect identity.

7. METHODOLOGY AND LIMITATIONS

7.1 METHODOLOGY

In order to examine the international purchasing practices of clothing brands operating in Australia and how these practices impact on the factories and workers — primarily women — who make our clothes in Bangladesh, a mixed-methods (qualitative and quantitative) approach was used to collect data.

7.1.1 SURVEY OF FACTORIES AND INTERVIEW OF INDUSTRY EXPERTS IN BANGLADESH

A survey was conducted to examine the effects of the purchasing practices of brands operating in Australia. The criteria for brand selection was popular brands operating in the Australian market that have purchased from more than three garment factories for a minimum of two years in Bangladesh. The survey sought to uncover the effects of brand purchasing practices from the perspectives of factory owners, merchandisers, production managers, supervisors and workers⁸¹ in Bangladesh. It was designed to identify the impact of specific purchasing practices: planning and forecasting, price setting, compliance and competitiveness, order placement and payment terms. In addition, questions about factory management's knowledge of the *Australian Modern Slavery Act 2018* were included. Awareness of Australian brands' commitment to working towards ensuring living wages was also studied.

Contact information for the factories was provided by the Bangladesh Garment Manufacturers and Exporters Association, the Bangladesh Knitwear Manufacturers and Exporters Association, Mapped in Bangladesh⁸² and brands' own list of supplier factories. The criteria for factory selection was based on whether the factory had supplied to a brand for more than two years. Eventually both purposive sampling (selecting participants on purpose) and snowball sampling (asking participants to suggest other subjects) were used to select the factories. On average, selected factories had done business with the brands for 5.8

years. In total, 32 factories supplying to 11 brands were interviewed. The research was approved by the partner universities' respective human ethics committees. The survey was conducted face-to-face by the research team over four months, from January 2020 to April 2020, at a time and place of the respondents' convenience.

Additionally, in-depth interviews were conducted with 10 industry experts and 11 workers. Industry experts included union leaders, an economist, researchers, a factory owner, representatives of civil society, NGOs, development organisations, brands, and academics (all based in Bangladesh). Due to COVID-19 and subsequent lockdown and movement restrictions, some of the in-depth interviews with workers were conducted over the phone.

Survey responses have been descriptively analysed and presented in graphical form. When more than one response to a question was received, the average was analysed. Each brand was rated against living wage commitment, transparency, planning and forecasting, price setting, compliance and competitiveness, order placement and payment terms. Each of these categories was comprised of several specific items (usually 4-7), which were equally weighted and averaged to give a category band rating. On average, 19% of the selected factories' production is supplied to the brands covered in this research. From the selected factories, H&M Group source as much as 48% of the factory's production, while Myer and The Just Group have the smallest share in factory production (5%). While all attempts were made to focus responses to the specific brands, this cannot be guaranteed (i.e. some responses may be reflective of the whole factory experience compared to fully attributed to the specific brand).

7.1.2 SURVEY AND INTERVIEW OF BRANDS

The brands were invited to provide their perspectives on the purchasing practices they employ in Bangladesh. A survey about brands' international

81. 47% of the workers interviewed are female. 67 of them are operators. 80% of the respondents have worked in the factory for one to four years. 20% of the workers have worked in the factory for more than four years.

82. Mapping the Bangladesh RMG industry covering factories that are directly/indirectly export-oriented



Dhaka, Bangladesh: Garment worker Bindu* holds a "Made in Bangladesh" tag outside her home in Dhaka. Photo: Fabeha Monir/OxfamAUS. *Name changed to protect identity.

purchasing practices was designed in line with the survey conducted with the factories in Bangladesh. We asked brands the same questions we asked the factories, with a few tailored questions. We sought to understand how the brands operating in Australia manage their supply chain relationships in Bangladesh, and analyse their understanding of the consequences of their actions and decisions on the Bangladesh factories, their managers and workers.

Based on the responses to the survey, an interview was conducted to gain deeper insights into their international purchasing practices. Interviews with brand representatives were semi-structured and lasted approximately 60 minutes.

7.2 LIMITATIONS

The team has identified the following considerations for interpreting the study outcomes:

- Equally weighted averages have been used to rate the brands based on their purchasing practices. Potentially, various items have a more important role than others, and weighted averages might present a different interpretation of the data.
- Researchers could not verify the information provided by respondents due to limited access to documents and time.
- Limited data from factories representing each brand limits the generalisation of the findings.
- COVID-19 has impacted the data collection in Bangladesh, limiting the access to factories and their staff members.
- Brand participation in the study was limited for various reasons, including having to respond to COVID-19 impacts.

BRANDS INCLUDED IN THE STUDY:

PARTICIPATED IN INTERVIEWS AND RESPOND TO SURVEY QUESTIONS:

Best&Less, Big W, H&M Group, Kmart and Target Australia.

DID NOT PARTICIPATE IN INTERVIEWS AND RESPOND TO SURVEY QUESTIONS

Cotton On, Inditex (Zara)⁸³, The Just Group (Just Jeans, Jay. Jays, Jacqui.E, Peter Alexander, Portmans, Dotti), Myer, Mosaic Brands (Millers, Rockmans, Noni B, Rivers, Katies, Autograph, W. Lane, Crossroads and Beme)

Country Road has a small number of suppliers in Bangladesh, so the factories and brand were removed from the study to avoid any unintended impacts on the factories or respondents. A few other brands sourcing from Bangladesh were initially selected for the research but were later dropped for two reasons: they either had a very small supplier base in Bangladesh or they had just started sourcing from Bangladesh and do not have an established relationship with the factories.

83. Inditex (Zara) did not participate in the survey, but engaged in a general conversation with the Monash research team about their purchasing practices.

8. TECHNICAL ANNEX

8.1 BRAND REPORT CARDS

8.1.1 H&M GROUP

FIG 10: OVERALL RATING OF H&M GROUP

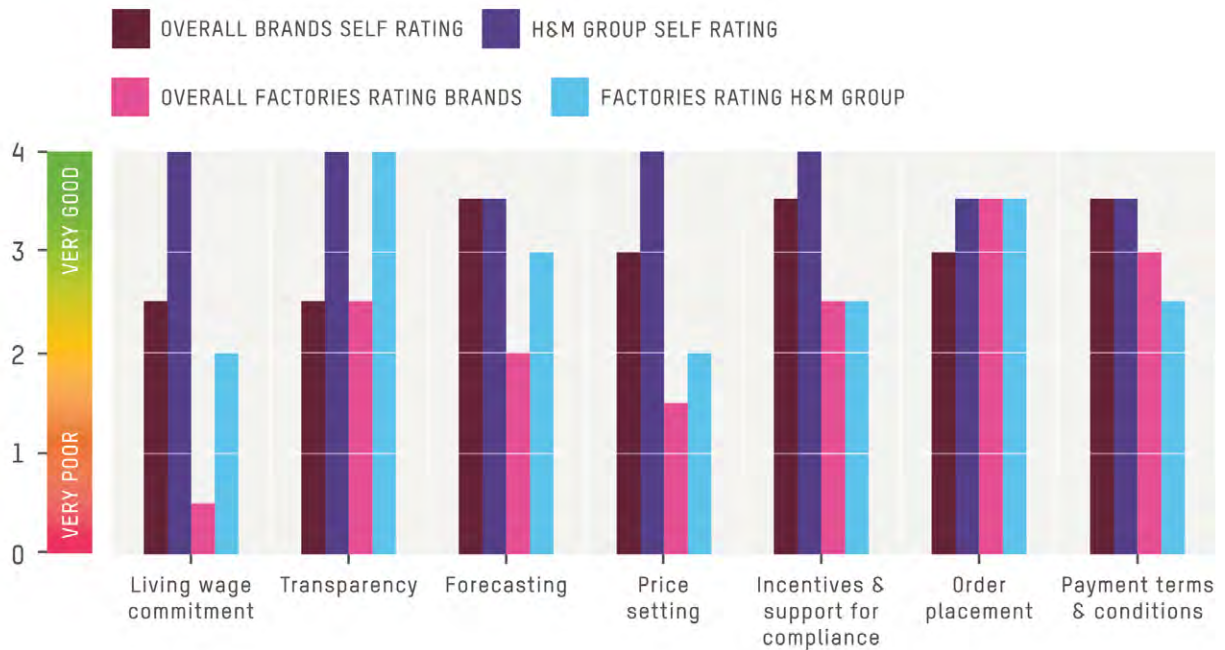
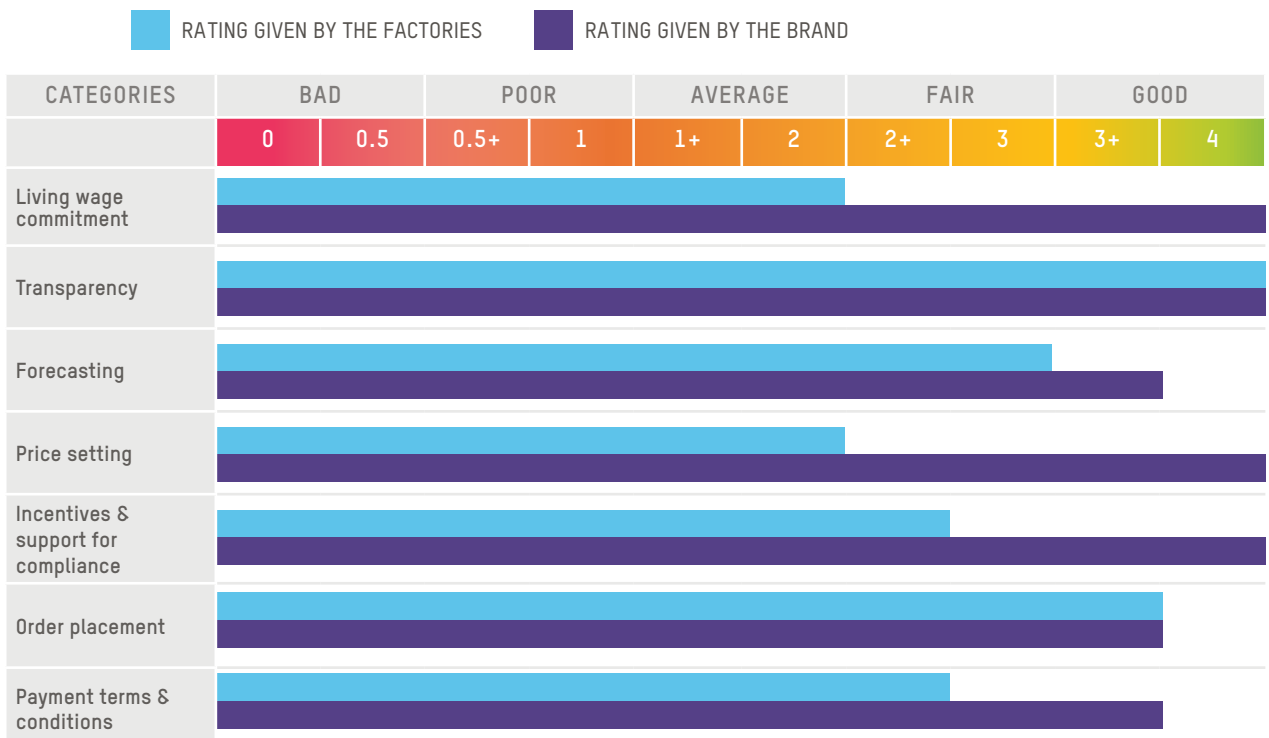


FIG 11: H&M GROUP, FACTORY COMPARISON SUMMARY



8.1.2 BIG W

FIG: 12 OVERALL RATING OF BIG W

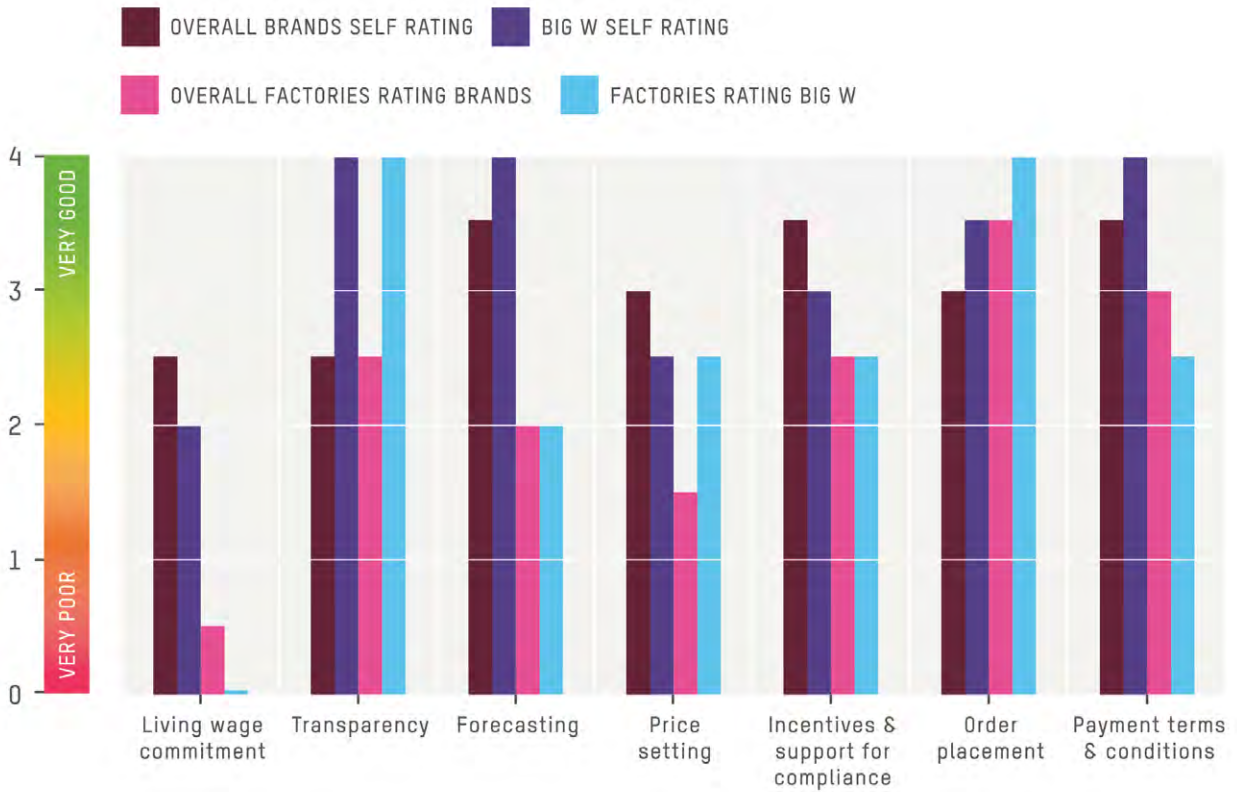
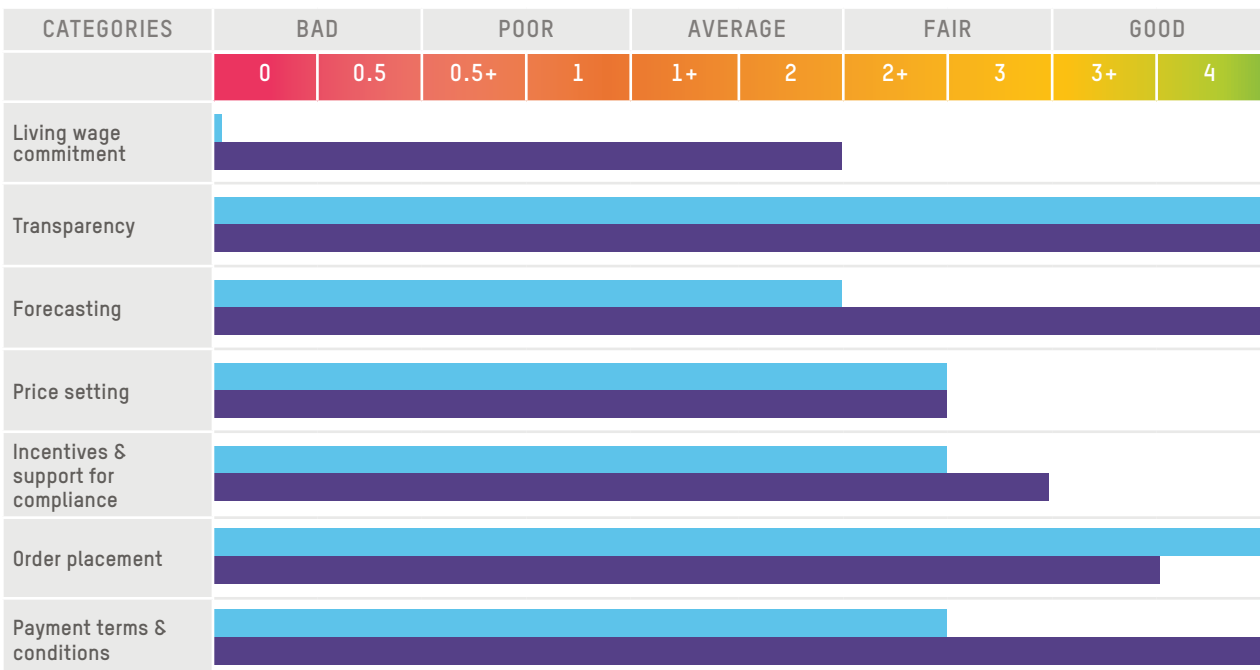


FIG 13: BIG W, FACTORY COMPARISON SUMMARY

Rating given by the factories (light blue) and rating given by the brand (dark blue).



8.1.3 KMART

FIG 14: OVERALL RATING KMART

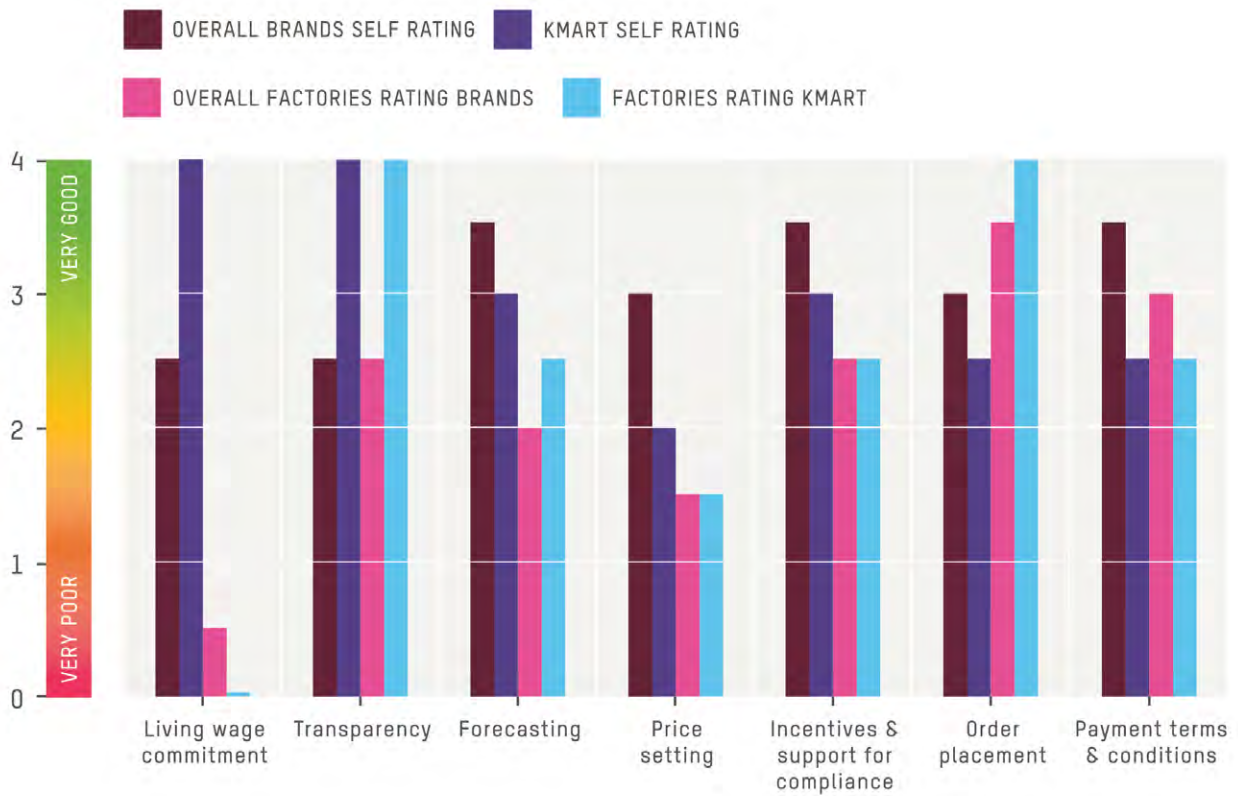


FIG 15: KMART, FACTORY COMPARISON SUMMARY

■ RATING GIVEN BY THE FACTORIES
 ■ RATING GIVEN BY THE BRAND

CATEGORIES	BAD		POOR		AVERAGE		FAIR		GOOD	
	0	0.5	0.5+	1	1+	2	2+	3	3+	4
Living wage commitment	[Brand Rating: 4.0]									
Transparency	[Factory Rating: 4.0]									
Forecasting	[Factory Rating: 2.5, Brand Rating: 3.0]									
Price setting	[Factory Rating: 1.5, Brand Rating: 2.0]									
Incentives & support for compliance	[Factory Rating: 2.5, Brand Rating: 3.0]									
Order placement	[Factory Rating: 4.0, Brand Rating: 2.5]									
Payment terms & conditions	[Factory Rating: 2.5, Brand Rating: 2.5]									

8.1.4 TARGET AUSTRALIA

FIG 16 : OVERALL RATING TARGET AUSTRALIA

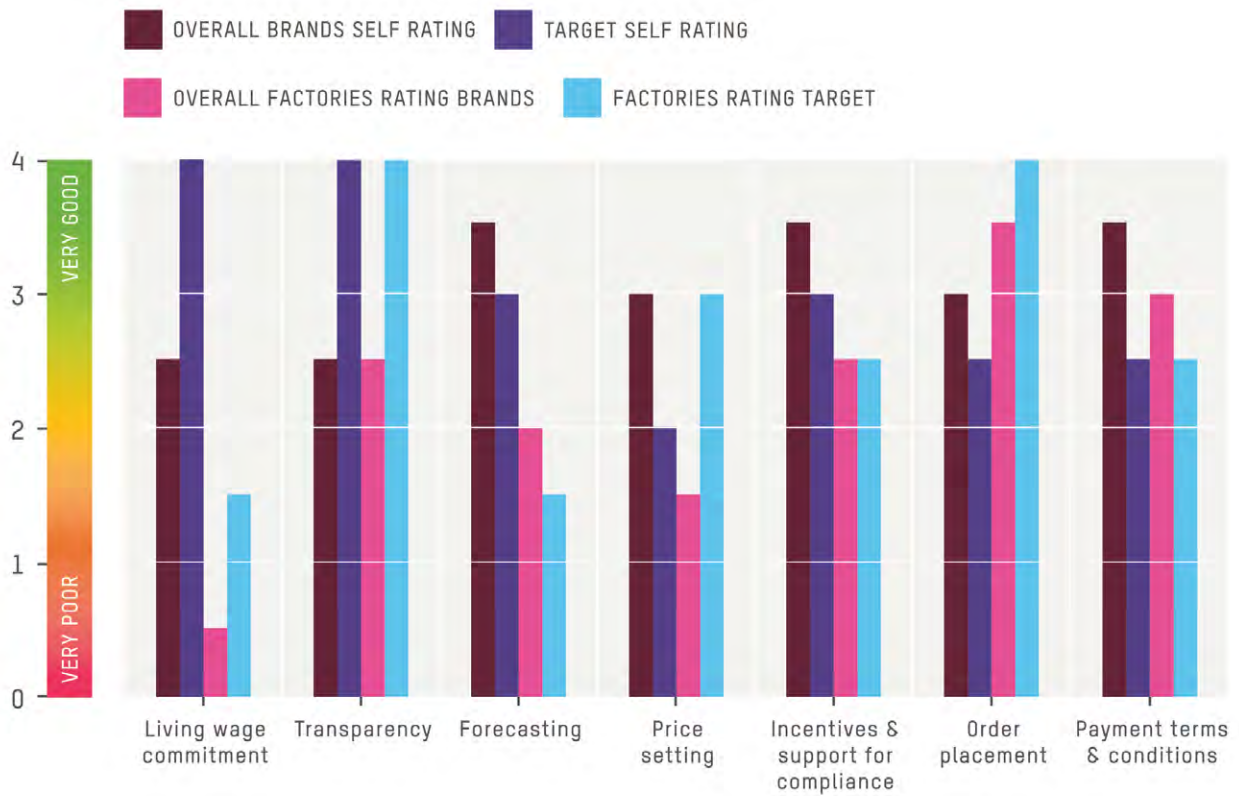
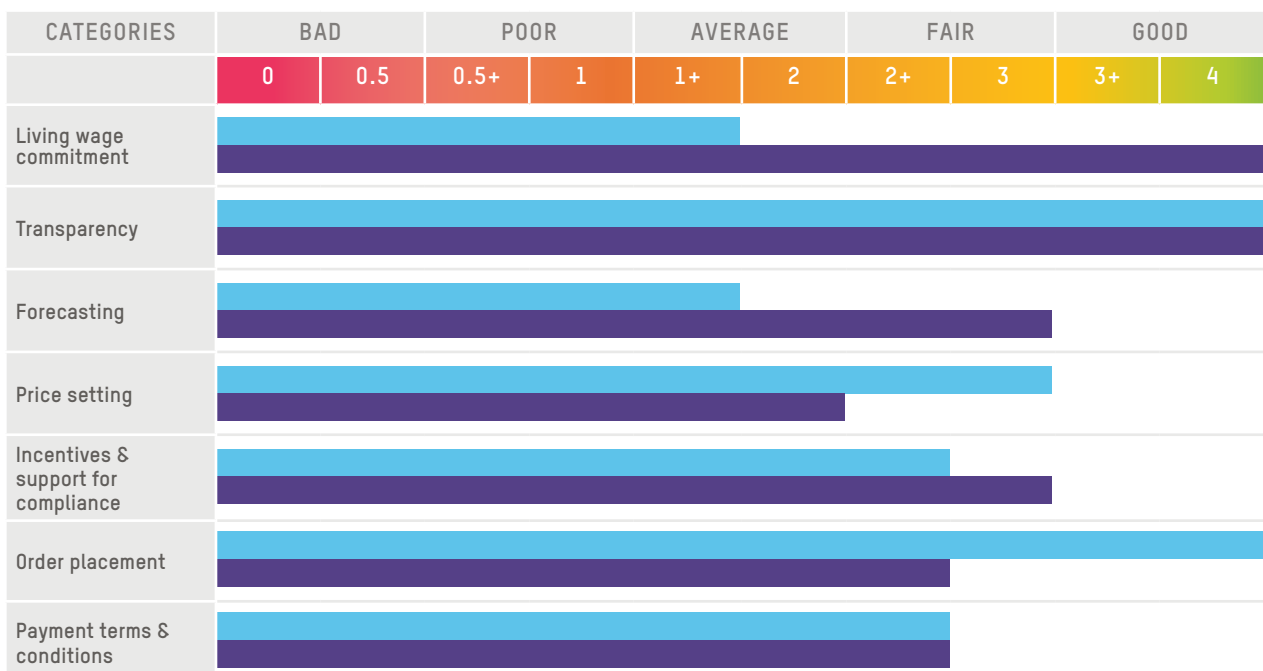


FIG 17: TARGET AUSTRALIA, FACTORY COMPARISON SUMMARY

■ RATING GIVEN BY THE FACTORIES
 ■ RATING GIVEN BY THE BRAND



8.1.5 BEST&LESS

FIG 18: OVERALL RATING BEST&LESS

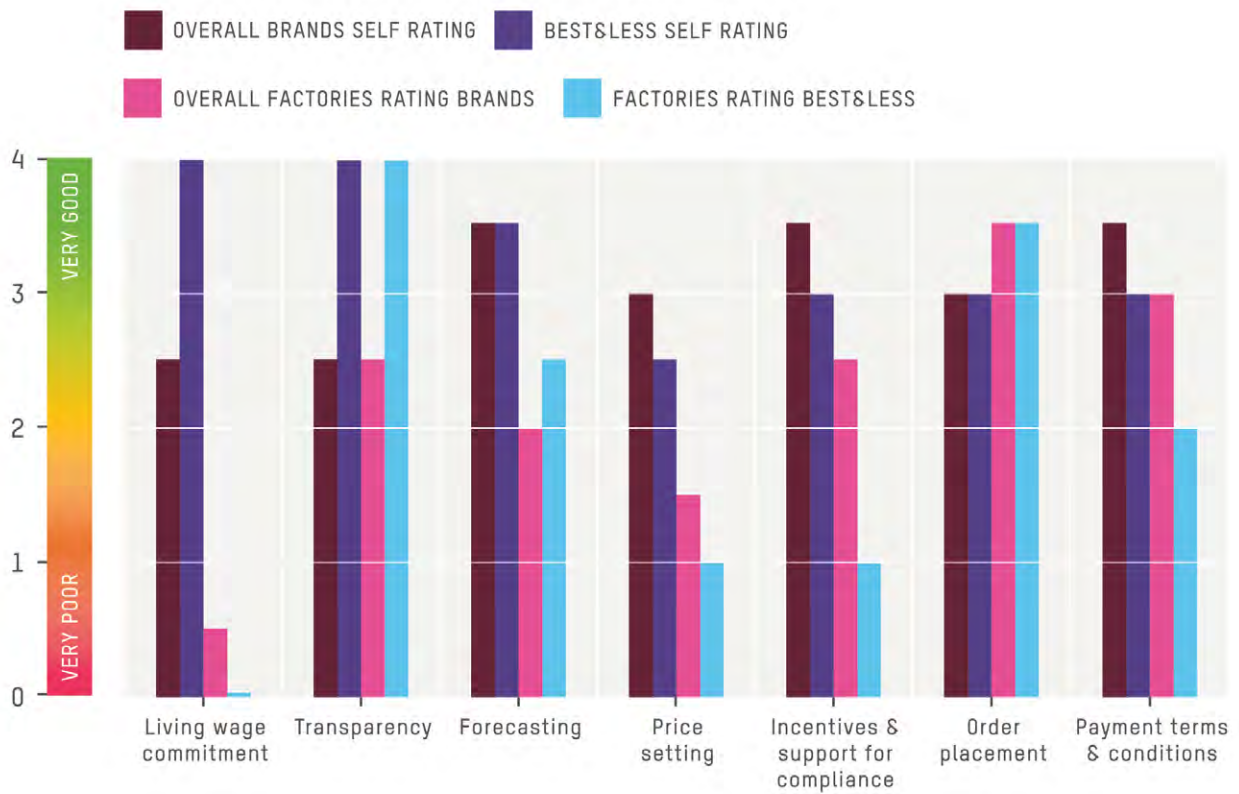


FIG 19: BEST&LESS, FACTORY COMPARISON SUMMARY

■ RATING GIVEN BY THE FACTORIES
 ■ RATING GIVEN BY THE BRAND

CATEGORIES	BAD		POOR		AVERAGE		FAIR		GOOD	
	0	0.5	0.5+	1	1+	2	2+	3	3+	4
Living wage commitment	<div style="display: flex; justify-content: space-between;"> </div>									
Transparency	<div style="display: flex; justify-content: space-between;"> </div>									
Forecasting	<div style="display: flex; justify-content: space-between;"> </div>									
Price setting	<div style="display: flex; justify-content: space-between;"> </div>									
Incentives & support for compliance	<div style="display: flex; justify-content: space-between;"> </div>									
Order placement	<div style="display: flex; justify-content: space-between;"> </div>									
Payment terms & conditions	<div style="display: flex; justify-content: space-between;"> </div>									

8.1.6 COTTON ON

FIG 20: OVERALL RATING COTTON ON

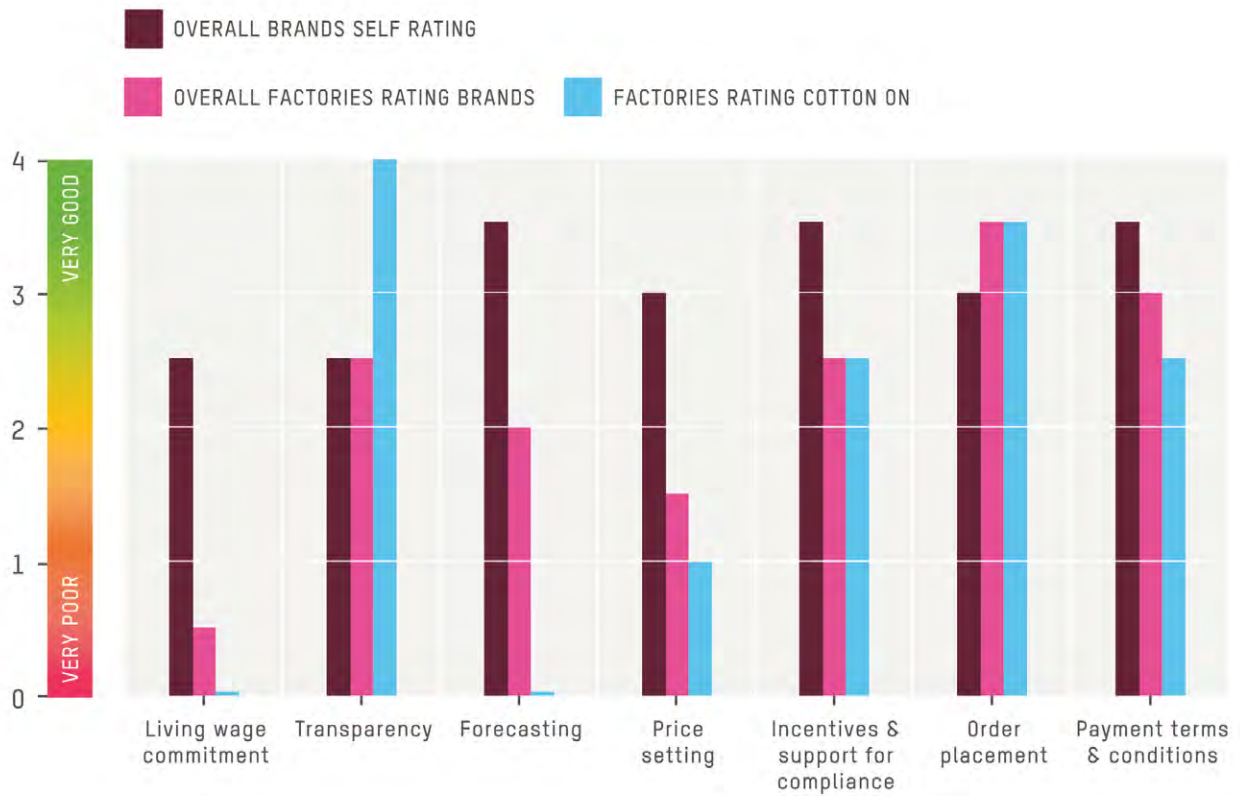


FIG 21: COTTON ON, FACTORY COMPARISON SUMMARY

■ RATING GIVEN BY THE FACTORIES
 BRAND DID NOT RATE ITSELF

CATEGORIES	BAD		POOR		AVERAGE		FAIR		GOOD	
	0	0.5	0.5+	1	1+	2	2+	3	3+	4
Living wage commitment	<div style="width: 10px; height: 10px; background-color: blue; border: 1px solid black;"></div>									
Transparency	<div style="width: 100%; height: 10px; background-color: blue; border: 1px solid black;"></div>									
Forecasting	<div style="width: 10px; height: 10px; background-color: blue; border: 1px solid black;"></div>									
Price setting	<div style="width: 40%; height: 10px; background-color: blue; border: 1px solid black;"></div>									
Incentives & support for compliance	<div style="width: 70%; height: 10px; background-color: blue; border: 1px solid black;"></div>									
Order placement	<div style="width: 85%; height: 10px; background-color: blue; border: 1px solid black;"></div>									
Payment terms & conditions	<div style="width: 75%; height: 10px; background-color: blue; border: 1px solid black;"></div>									

8.1.7 MYER

FIG 22: OVERALL RATING MYER

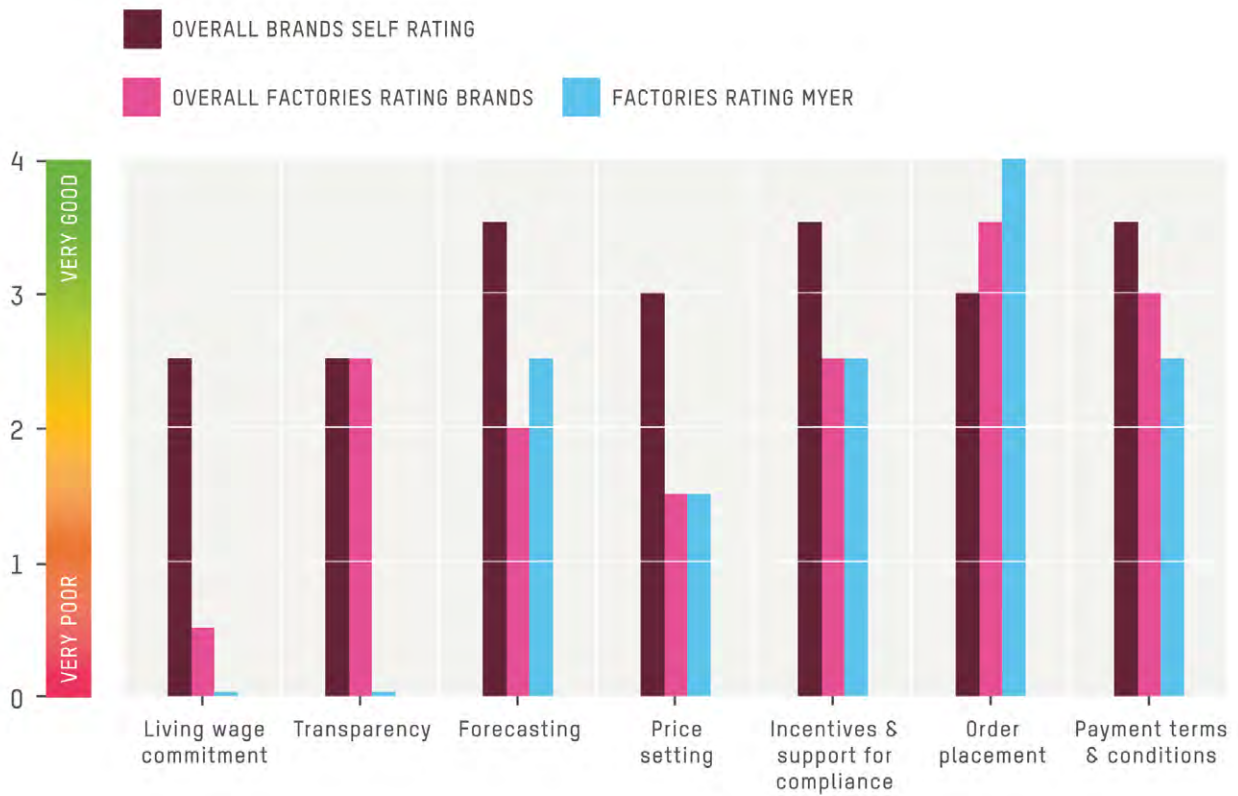


FIG 23: MYER, FACTORY COMPARISON SUMMARY

■ RATING GIVEN BY THE FACTORIES
 BRAND DID NOT RATE ITSELF

CATEGORIES	BAD		POOR		AVERAGE		FAIR		GOOD	
	0	0.5	0.5+	1	1+	2	2+	3	3+	4
Living wage commitment	<div style="width: 10%; background-color: blue; height: 10px;"></div>									
Transparency	<div style="width: 5%; background-color: blue; height: 10px;"></div>									
Forecasting	<div style="width: 70%; background-color: blue; height: 10px;"></div>									
Price setting	<div style="width: 55%; background-color: blue; height: 10px;"></div>									
Incentives & support for compliance	<div style="width: 70%; background-color: blue; height: 10px;"></div>									
Order placement	<div style="width: 100%; background-color: blue; height: 10px;"></div>									
Payment terms & conditions	<div style="width: 70%; background-color: blue; height: 10px;"></div>									

8.1.8 THE JUST GROUP

FIG 24: OVERALL RATING THE JUST GROUP



FIG 25: THE JUST GROUP, FACTORY COMPARISON SUMMARY

■ RATING GIVEN BY THE FACTORIES
 BRAND DID NOT RATE ITSELF

CATEGORIES	BAD		POOR		AVERAGE		FAIR		GOOD	
	0	0.5	0.5+	1	1+	2	2+	3	3+	4
Living wage commitment	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Transparency	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Forecasting	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Price setting	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Incentives & support for compliance	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Order placement	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Payment terms & conditions	<div style="width: 100%; height: 10px; background-color: blue;"></div>									

8.1.9 INDITEX (ZARA)

FIG 26: OVERALL RATING INDITEX (ZARA)

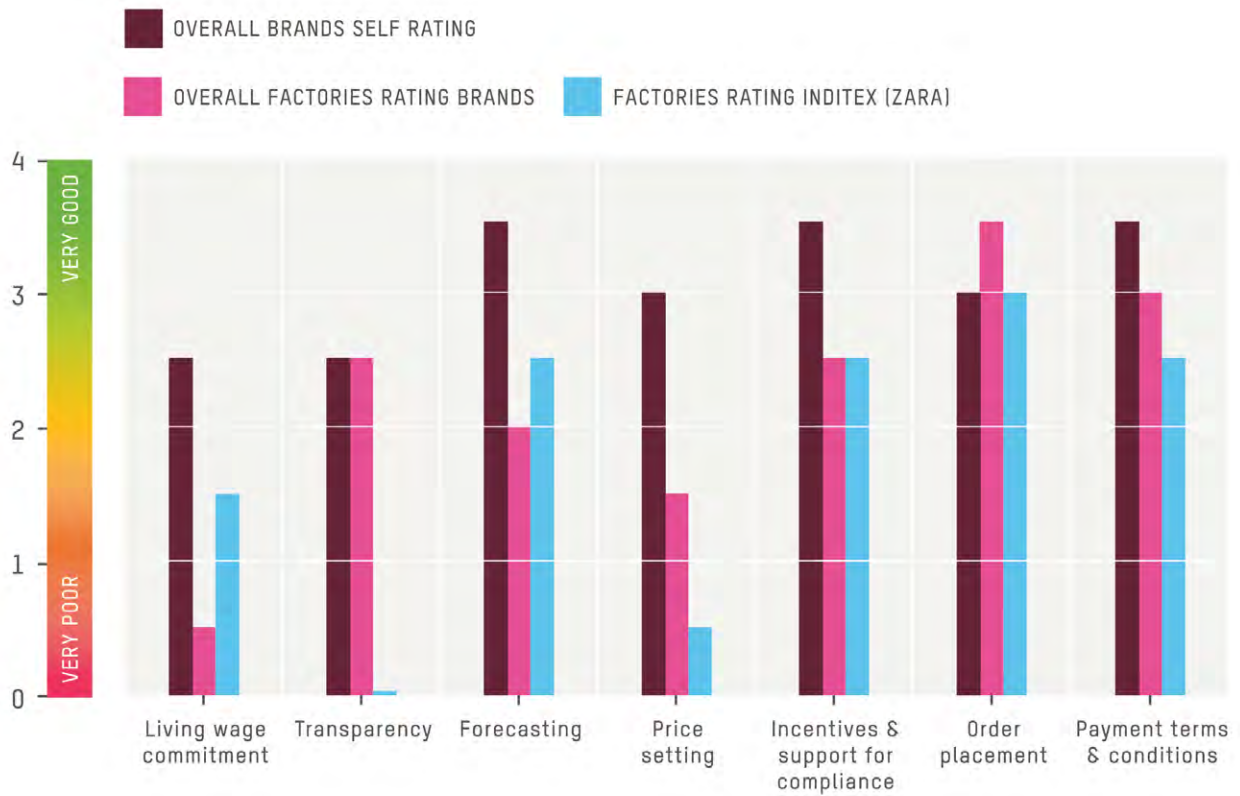
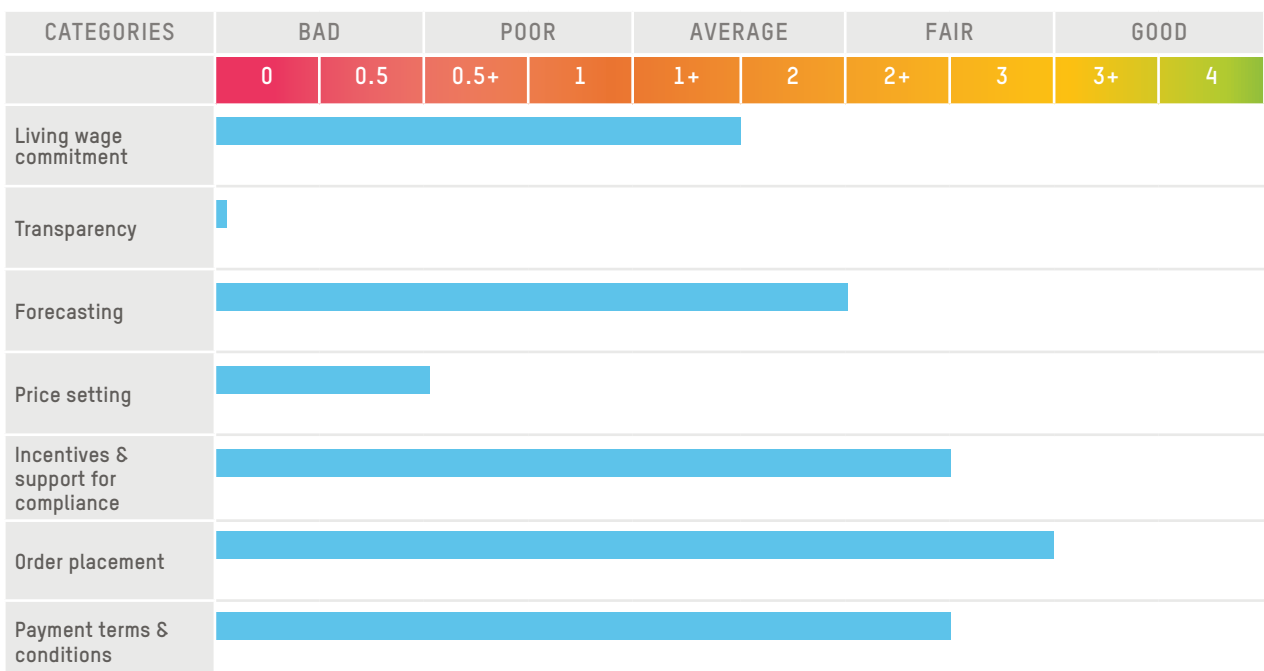


FIG 27: INDITEX (ZARA), FACTORY COMPARISON SUMMARY

■ RATING GIVEN BY THE FACTORIES
 BRAND DID NOT RATE ITSELF



8.1.10 MOSAIC BRANDS (NONI B)

FIG 28: OVERALL RATING MOSAIC BRANDS (NONI B)

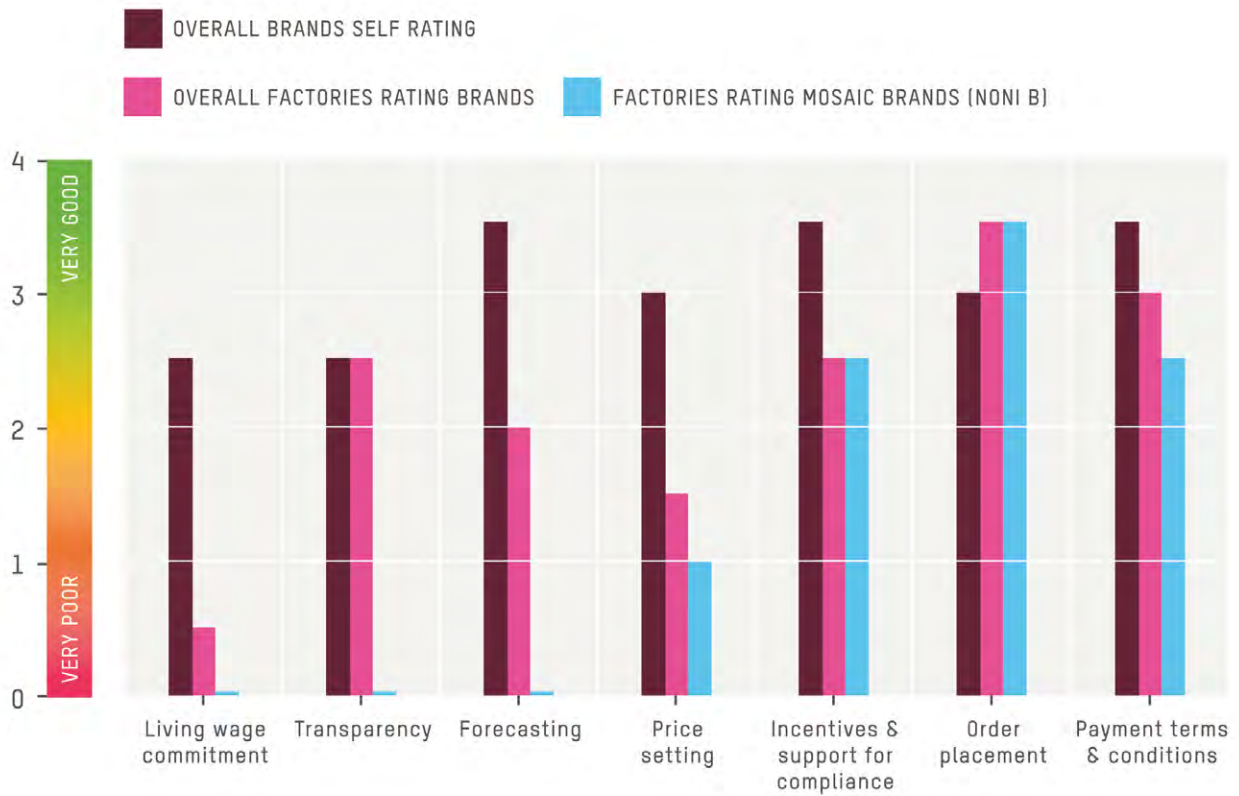


FIG 29: MOSAIC BRANDS (NONI B), FACTORY COMPARISON SUMMARY

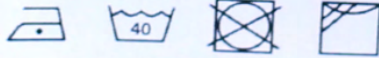
■ RATING GIVEN BY THE FACTORIES
 BRAND DID NOT RATE ITSELF

CATEGORIES	BAD		POOR		AVERAGE		FAIR		GOOD	
	0	0.5	0.5+	1	1+	2	2+	3	3+	4
Living wage commitment	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Transparency	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Forecasting	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Price setting	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Incentives & support for compliance	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Order placement	<div style="width: 100%; height: 10px; background-color: blue;"></div>									
Payment terms & conditions	<div style="width: 100%; height: 10px; background-color: blue;"></div>									

WHAT SHE MAKES

IS KEEPING HER IN POVERTY

MADE IN
BANGLADESH



OXFAM