# Strategies for improving labour conditions with the Australian cotton value chain

Final Technical Report and Guide to Project Resources 2019-2023

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## Introduction

In 2019, the Cotton Research and Development Corporation (CRDC) commissioned this research project to better understand labour issues along the Australian cotton value chain and to recommend strategies for the industry to explore.

Workers' rights in the textile and garment industries have come under increasing scrutiny from governments, nongovernmental organisations (NGOs), and consumers. Labour concerns in the cotton value chain include poor health and safety, human rights abuses, lack of freedom of association, and forced and child labour. Organisations acting alone have been unable to address these issues, leading to ongoing exploitation of workers. While labour abuses may occur anywhere in the chain, the labour-intensive manufacturing parts of the Australian cotton value chain is an area of particular concern.

Australian cotton enjoys a reputation as a clean, green crop grown under decent working conditions, however once the cotton enters global value chains, visibility is lost, and sustainable value is diminished. Practices occurring downstream from Australian cotton growers represent a risk to the industry and to its supply chain partners, including brands and retailers. Positive action by the cotton industry represents an opportunity to demonstrate the industry's commitment to human rights and sustainability.

This Final Technical Report is a high-level summary of the project findings and a guide to the detailed reports and resources developed through the project.

## Project Aims

The project followed three phases, with aims as follows:

Phase 1 - Understanding the issues, risks, stakeholders, and opportunities for intervention

Phase 2 - Gathering perspectives of key stakeholders – where and how can risks be reduced?

Phase 3 - Applying findings to develop tools and strategies to be used by industry

The overall purpose was to highlight the connection between critical labour conditions in the textile and apparel industry and the cotton grown in Australia, and thereby the opportunity for the Australian cotton industry to support improvements. This opportunity has been framed through

seven solution approaches for the industry to consider, with tools developed to help support industry move forward.

## Methods

### Phase 1

*Desktop research to establish risks* - The project team undertook extensive documentary research and high-level analysis of labour conditions across key countries relevant to the Australian cotton value chain, identifying risks and leverage points. Nineteen countries were selected to examine based on their importance as an export destination for Australian cotton and/or a major garment producing country.

*Interviews with key stakeholders* - This phase included seven formal interviews with Australian cotton industry stakeholders, several informal discussions with stakeholders, and one workshop with Australian Cotton Shippers Association (ACSA) representatives. The team elicited feedback on the risk profiles and guidance from stakeholders on case studies to investigate in Phase 2.

### Phase 2

*Interviews with key stakeholders* - We identified a range of value chain participants with whom to engage, gathering perspectives via semi-structured interviews with textile and apparel industry managers, NGO representatives and brands and retailers, and Australian cotton industry stakeholders.

*Case studies* – Through iterative cycles of stakeholder interviews, in concert with the desktop findings, the team established a series of case studies for change. These were grouped thematically to form seven solution approaches. The case studies and solution approaches demonstrated the current state of actions to address labour abuses in the cotton value chain and offer opportunities for future action.

### Phase 3

*Industry consultation* - A series of small group discussions, workshops and one-on-one conversations were held with industry stakeholders to test the solution approaches' feasibility and

impact. These discussions enabled the solution approaches established in Phase 2 to be translated into tools the industry can use.

## Results

### Critical labour conditions in the cotton value chain

Through analysis of critical labour issues particular to the cotton value chain, we drew upon existing datasets to develop a set of thirty indicators that allow a quantitative view of labour risk across nineteen selected countries which represent the greatest markets or potential markets for Australian cotton. These indicators were aggregated into six indices, presented as heat maps. The overall heat map and the six thematic heat maps can be viewed and interacted with here. This analysis is documented in the detailed technical report 'Critical labour conditions in the Cotton Value Chain'.

The report provides an at-a-glance labour risk guide across the nineteen countries. The guide is presented by visual country risk heat maps, specific country profiles, and a summary of labour initiatives. Below are resources from the report available for individual download:

- Heat maps overview
- Country Profiles by Region
  – Africa
  – East Asia
  – South Asia
  – South East Asia
  – Western Asia
- COVID-19 Country Updates

### Solutions approaches to address downstream labour abuses

By bringing together perspectives and insights from across the value chain, a series of solution approaches emerged for the Australian cotton industry to consider. The second detailed technical report, 'Solutions Approaches to address Downstream Labour Abuses in the Australian Cotton

Value Chain' examines the relevance of solution approaches and illustrates them with 22 case studies which highlight industry best practice, current practice, approaches in different industries, and emerging regulatory trends. The seven solution approaches are discussed in the context of the strategic enforcement model (SEM) approach, which focuses on prioritisation due to limited resources; interventions that change behaviours that result in violations and finding mechanisms that lead to sustainable and ongoing compliance.

The research team has proposed seven solution approaches for the industry's consideration. The solution approaches were developed and refined through interviews conducted with key industry stakeholders such as merchants, manufacturers, brands and retailers, and NGOs and desktop research on trends emerging in the regulatory and social responsibility spaces.

Summary of solution approaches for stakeholders.

Click on a Solution Approach to download individually:

1. Downstream Due Diligence
2. Australian Cotton Certification
3. Transparency and supply chain visibility
4. Traceability
5. Reshoring and rightshoring
6. Strategic partnerships and collaboration between supply chain actors
7. Collaboration with worker-driven initiatives

| Solution Approach | Action | Examples |
|---|---|---|
| 1. Downstream due diligence | • Downstream due diligence could be promoted through a range of actions, from introducing new voluntary guidelines or reporting requirements, to introducing mandatory due diligence obligations through contractual clauses with downstream actors. | Pharmaceutical company Lundbeck added clause in contract making it illegal to supply pentobarbital (Nembutal) to United States prisons |

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| 2. Australian cotton certification | • Consideration of labour rights could be integrated with the Australian Cotton Mark certification through introducing an additional criterion on labour rights.<br><br>• Unique opportunity for the industry to link its product to clean supply chains through adopting a holistic approach to social sustainability certification. | Supply chain certification (such as Global Organic Textile Standard and Fairtrade), mass-balance system (such as Better Cotton), and the certification of cotton based on its country of origin (such as Cotton Made in Africa, Cotton USA and the Australian Cotton Mark). |
| 3. Transparency & supply chain visibility | • Taking small steps to improve supply chain transparency allows for the untangling of Australian cotton's complex supply chains.<br><br>• Identifying who is downstream in the Australian cotton supply chain would including identifying spinners and developing risk profiles to enable traceability. | Fashion Revolution Transparency Index benchmarks brands and retailers based on their disclosure of social and environmental policies and impacts across their supply chain<br><br>Open Apparel Registry is a free, open data tool which maps garment facilities across the globe |
| 4. Traceability | • Gain insight into the journey of a commodity throughout the supply chain, which supports the certification of sustainability credentials.<br><br>• It can also be used to verify the origin of the cotton used in a product. | Existing traceability technology and retailer collaborations such as FibreTrace and Nobody Denim, Oritain and Country Road |
| 5. Reshoring and right-shoring | • Right-shoring involves identifying the 'ideal mix of offshoring, nearshoring and onshoring' based on the specific needs of a business/industry.<br><br>• Potential to add further value to Australian cotton through reshoring parts of the post-ginning cotton processing. An | Cotton of the Carolinas (CotC) by TS designs sources cotton directly from North Carolina farmers for their t-shirts which can also be traced. They also created an eco-friendly patented printing process called REHANCE. |

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| | opportunity for differentiation through the production of a niche product. | English Fine Cottons in the United Kingdom re-shored cotton spinning |
| 6. Strategic partnerships | • Shift from 'transactional or non-committal relationships' to 'medium- to longer-term volume commitments and strategic alignment with suppliers' (McKinsey, 2021).<br>• This would positively impact labour conditions through challenging the current fast fashion model.<br>• Increased collaboration between supply chain actors with shared values can increase supply chain resilience and visibility. | Neuw Denim sources Australian cotton and works with Neela Blue, a vertically integrated denim mill in Pakistan to produce its Australian cotton range |
| 7. Collaboration with worker-driven initiatives | • Worker-driven social responsibility (WSR) centres around the voices of workers as agents of change<br>• The Australian cotton industry can support the improvement of working conditions through collaborating with other actors and existing initiatives. | Collaborating with a worker-driven initiative such as BSR HERproject to support the implementation of training programmes in spinning mills, fabric mills, or garment factories that process Australian cotton.<br><br>Rana Plaza Donors Trust Fund for victims and their families. |

## Insights from Industry Workshops and Discussions

### Australian cotton industry stakeholders

Stakeholders including representatives of industry bodies and individual merchants, perceived the industry to have limited ability to influence change downstream in the conventional commodity market. Growers wishing to exert greater influence would need to work with the merchants as they are the sellers of Australian cotton. Industry representatives suggested that investigating

labour issues downstream is an opportunity to get ahead of the compliance curve and enhance the Australian cotton brand and its values

*Barriers*

Merchants typically have long-standing relationships with suppliers and there was concerned that imposing due diligence around labour practices could impact commercial relationships and outcomes. Merchants acknowledged the seriousness of forced labour in the supply chain, but also noted that the concerns were not directly relevant to the Australian cotton industry. As the study found, the highest incidence of labour abuses occurs not in spinning mills, the direct customers of Australian cotton, but is more likely to be found further downstream in garment manufacturing. Additionally, even if labour abuses were found, there are no mechanisms for intervention or punitive remediation. Despite a number being part of global corporations themselves, merchants also felt that they had little power to influence downstream labour practices as there is very little connection between the merchant and the retailers (i.e. no contact or data sharing between merchant or retailer) – although one merchant had been requested to confirm bale origin numbers. One merchant stated that there is a power imbalance in the supply chain – "there are 12 groups globally that create 92% of the demand for garments in the world. So that's a huge amount of power that sits with the retailer."

*Opportunities and pathways*

While participants acknowledged that the Australian cotton industry faced little risk from downstream labour issues, there was an opportunity to work with traceability providers and enhance the Australian cotton industry's reputation as a 'clean and green' crop and "take the high road" and set labour standards along the chain. This could be achieved through examining other certifications (such as BCI) and organisations (such as ICA) to collaborate on the issue of labour issues.

## Value chain perspectives

This stakeholder group includes manufacturers, brands and retailers, and NGOs active in addressing downstream labour conditions. Brands and retailers suggested that they are not necessarily best positioned to influence labour conditions along value chains, but have greater regulatory and reputational risk than others along the chain. Brands and retailers said that they are assumed to have the most power, but in reality, it depends on many factors, including the

scale of orders the manufacturer has. Retailing participants also noted that consumer pressure usually doesn't go to other parts of the supply chain.

*Barriers*

Brands and retailers said the lack of supply chain visibility was a significant barrier to acting on labour rights – "you can't act on the issues if you don't know where they are or what they are". A vertically integrated manufacturer agreed that many brands had limited visibility, offering an estimate that, in their experience, 70-80% of brands are connected to Tier 1, however 50% or less are connected to Tier 2, and only 5 or 10% of brands are attempting to reach to the level of yarn producers. Brands and retailers noted that in the absence of vertical integration or the use of traceability technology, it is "virtually impossible" to follow a value chain from end to end. The labour and cost intensive nature of achieving value chain transparency was a key barrier.

*Opportunities and pathways*

Retailers said that offering certainty around where Australian cotton went post-farm gate would be positive. They noted, "If you 'tick tick' there [i.e., best practice on farm], you really then lose the 'tick tick' as soon as it gets exported, if you don't know where it's going to." An NGO participant said traceability was dependent on the goal that is being set – i.e. provenance or if blended with at risk/banned cotton. However, given the likelihood that Australian cotton will be blended with other cottons at the mill, "where does this knowledge get you?" They suggested from a brand perspective it may be more useful to test whether the blend contains banned cotton (Uzbek, Xinjiang). Another option discussed was to take a database approach and work with NGOs such as Fair Clearninghouse for tailored mapping or the Social Labour Convergence Project (SLCP) data or connect in with the Open Apparel Registry to map gins and then spinning mills. Participants said there is a shift towards harmonizing standards across the chain.

While there is an opportunity to act, the Australian cotton industry needs to ensure that they work with organisations that are committed to those standards, as one retailer offered the view that, "ultimately they [Australian cotton industry] need to work with organisations in the chain that meet certain standards. And that are fundamentally committed to those standards." If taking a worker-driven approach, then the key focus should be on country related issues and risks and connect with NGOs already operating in the area – such as Business for Social Responsibility (BSR) HER projects.

## Discussion and Conclusion

Although the Australian cotton industry is situated on the periphery of the global apparel supply chain, there is an opportunity for the industry to have a positive impact on labour conditions through strategic outreach, partnerships and communication. The Australian cotton industry can look to engage with actors in the value chain through forms of information sharing and self-regulation. An example of this could be establishing a memorandum of understanding which outlines expected behaviour and be a step towards extending responsibility forwards (i.e. where Australian cotton goes) (solution 1). Since the space is already promoting greater transparency, voluntary agreements could be reached. Australian cotton could also assist with this by introducing a labour rights criteria (i.e. buyers provide evidence of human rights due diligence), while at the same time carrying the Australian cotton story the chain through the Australian Cotton Mark (solution 2). The Australian cotton industry could partner with retailers who wish to demonstrate a firm commitment to ethical sourcing and develop approaches to evaluate and monitor the production model, which could involve training and performance criteria. There is potential for the Australian cotton industry to work with actors further downstream in existing supply chains to improve workers conditions and transparency (solutions 3 and 7). A way to signal this would be through disclosing where Australian cotton is sold (solution 3) or attaching labour conditions to the Australian cotton certification (solution 2), which could serve as a market pull mechanism, rather than a compliance push. While there is interest in reshoring manufacturing, which would enable greater visibility and control over where Australian cotton goes, the feasibility is not as high compared to other solution approaches due to the significant investment required (solution 5). There is no silver bullet for addressing labour conditions in the supply chain, rather a multiplicity of approaches will be required. This study has outlined seven, tangible actions that the Australian cotton industry can pursue.

## Project Outputs and Resources

### Industry Tools

*A Summary of Human Rights Due Diligence (HRDD) Legislation*

This aim of this resource is to provide a summary of human rights due diligence legislation globally and includes legislation that has been proposed and legislated. The document has been

produced for the Australian Cotton Industry; however, it is useful to policymakers, industry professionals, civil society and scholars who are seeking to understand trends in human rights due diligence, compare legislation across nations, and gather an estimation of expected changes for businesses operating in Australia.

### *Due Diligence Guidance for ACSA members*

A document with guidance for downstream due diligence specific to ACSA. During the project, the research team met with ACSA representatives to discuss issues and solution approaches. A workshop in 2022 highlighted that ACSA members would appreciate guidance on how to implement the downstream due diligence solution approach. Discussions with ACSA identified the following concrete options: a website acknowledgment, a statement of intent within the ACSA trading guidelines, and guidance on what next steps might involve.

### *Animation communicating the issues and the seven solutions approaches*

Suitable for industry stakeholders and the general public, this short animation details the key issues and provides an overview of the seven solution approaches the industry can consider for change. It is viewable at: https://youtu.be/Ohd2I2r1NTE

### *Library of Resources*

The aim of this resource is to capture relevant information on addressing modern slavery in supply chains for use by policymakers, industry, civil society, and scholars. These resources should help the reader understand key labour issues in value chains, learn about different strategies to intervene to improve human rights, provide contacts for experts, reputable organisations and potential partners to collaborate on efforts to combat labour exploitation.

## Journal articles

Boersma, M., Josserand, E., Kaine, S. & Payne, A., 17 Nov 2021, 'Making Sense of Downstream Labour Risk in Global Value Chains: The Case of the Australian Cotton Industry' (Accepted/In press) Journal of Industrial Relations.

Coneybeer, Justine & Maguire, Rowena (2022) Evading responsibility: Living Wage Methodologies and Initiatives in the Fashion Industry. QUT Centre for Justice Briefing Papers, December 2022.

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## Reports

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Payne, Alice, Boersma, Martijn, Maguire, Rowena, O'Brien, Erin, Rissanen, Timo, Bolger, Sarah, Coneybeer, Justine, Josserand, Emmanuel, Kaine, Sarah, Street, Paige (2021). Solution approaches to address downstream labour abuses in the Australian cotton value chain. QUT-UTS, report for Cotton Research and Development Corporation.

## Public articles

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Coneybeer, Justine. 2022. Presentation at the 36th International Cotton Conference Bremen (2022) on solution approaches for addressing labour abuses in downstream cotton value chains.

Payne, Alice, (2021). Strategies for improving labour conditions within the Australian cotton value chain, Presentation to the ACSA Annual General Meeting, November 2021.

Payne, Alice, (2021). Labour issues in the cotton value chain, Presentation to Olam, 2022.

Payne, Alice. Clothing Textile Waste Exhibition, National Textile Clothing Waste Roundtable, Mural Hall Parliament House, Canberra, May 2021.

Payne, Alice, Boersma, Martijn. (2021). Strategies for improving labour conditions within the Australian cotton value chain, Presentation to Sustainability Working Group, July 2021, online.

Payne, Alice, Boersma, Martijn and Rissanen, Timo. (2022). Presentation at Australian Fashion Roundtable on the Uyghur Forced Labour Prevention Act, Aje Headquarters, Sydney, October 13 2022.

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