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SUBMISSION OF THE TEXTILE CLOTHING AND FOOTWEAR UNION OF AUSTRALIA

AUSTRALIA – CHINA FREE TRADE AGREEMENT

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A. INTRODUCTION AND EXECUTIVE SUMMARY

1. The Textile Clothing and Footwear Union of Australia (TCFUA) welcomes the opportunity to make this submission to the Department of Foreign Affairs and Trade regarding the proposed Australia-China Free Trade Agreement.

I. THE TCFUA

2. The TCFUA is an organisation of employees registered pursuant to the *Workplace Relations Act 1996*. Next to all of our membership consists of workers employed either directly or in connection with the manufacture of textiles, clothing and footwear in Australia.
3. Whilst we are an organisation which represents workers in the TCF industry, we clearly have an interest in promoting the survival and sustainability of the industry itself. Accordingly we hold a number of views in common with the peak industry body, the TFIA, along with employers in the industry, regarding the implications of a China FTA for the TCF industry.
4. The TCFUA has directly experienced and observed both the industry and human effects of massive reduction in tariffs and structural adjustment to the TCF industry over the past two decades. We are in a unique position to inform DFAT of the real and practical implications of the Government's decisions in relation to the industry.

II. THE TCFUA'S SUBMISSION

5. The TCFUA is opposed to a Free Trade Agreement with China. Our submission details the basis of our opposition.

6. Firstly, our submission deals with the recent history and nature of the TCF industry in Australia, the effect of further tariff reductions and takes issue with the government modelling as part of the *Australia-China Free Trade Agreement Joint Feasibility Study*. We examine the nature and impact of job losses in the industry and in this context provide detail about the massive informal home based manufacturing sector in the clothing industry which has not been addressed at all in the government modelling. We conclude that any further reduction in tariffs in the TCF industry will be permanently detrimental to both the industry and those currently employed within it, in both the formal and informal sector.

7. We note that DFAT seeks, in particular, submissions which identify specific market access and internal regulatory issues which impede export of goods and services and investment into China. In this regard, our submission secondly addresses what we consider to be a number of key market access and regulatory issues impeding export to China from the Australian manufacturing industry in general, and the TCF industry in particular. These market access and regulatory issues include China's labour standards, health and safety standards and environmental standards. The TCFUA is opposed to Australian companies profiting from the exploitation of Chinese workers and poor environmental practices in China. Further to this, we conclude that these market access and regulatory issues impede the Australian manufacturing industry from effectively competing with its Chinese counterpart.

8. Finally, we provide an estimate of what we believe the real effects of a China FTA will be on employment within the TCF Industry in Australia.

B. THE TCF INDUSTRY IN AUSTRALIA

I. THE NATURE OF THE INDUSTRY

Productivity Commission Report 2003

9. The Inquiry Report of the Productivity Commission's 2003 Review of TCF Assistance describes the transitions which have taken place in the Australian TCF industry as follows:

The TCF sector in Australia today is very different from that on the past. Traditionally, local activity was characterized by a series of manufacturing processes, with firms along the supply chain purchasing inputs from (mainly local) upstream suppliers and selling outputs to (mainly local) downstream customers. High tariffs and quota protection ensured the continued viability of firms along the chain, restricted the ability to source from competing offshore suppliers and reduced the incentive to find new (export) markets. Retailers played a largely passive role in selling final products designed and supplied by manufacturers with limited direct contribution to purchasing or production decisions....

In recent years, however, competition from emerging low-wage production centres, slowing growth in domestic consumer demand, large reductions in domestic assistance and increased concentration in retailing have collectively placed new pressures on local TCF manufacturers. Many firms have left the sector, while others have rationalized, merged and pursued new sourcing strategies to survive. As a result, aggregate domestic TCF manufacturing activity has contracted and import penetration has risen sharply....¹

¹ Productivity Commission, *Review of TCF Assistance Inquiry Report*, Report no 26, 31 July 2003, p9.

10. The report notes that the effect of these changes has been a reduction in aggregate output and employment in the sector:

“Industry restructuring and rationalisation, in combination with a sharp rise in import penetration to more than 50% of the total TCF market, have resulted in contractions in overall TCF manufacturing output and employment.... The sector’s aggregate value added fell by more than 30% in real terms between 1990-01 and 2001-02, while employment was approximately 35% lower.

At the TCF industry level, clothing and footwear production has contracted the most with employment losses in these two industries accounting for 60% of the decline in total sectoral employment since 1991 (although there may have been some offsetting increase in the number of outworkers...). This experience has coincided with a surge in imports of clothing and footwear, with China the main source. It supplied nearly 70% of all Australia’s imports of clothing and footwear in 2001-02.²

11. Despite its findings set out above, the Productivity Commission concluded that there was a future to the TCF industry in Australia.

Contrary to perceptions in some quarters, it is inappropriate to categorise the TCF sector as being in terminal decline. Prospects in particular activities are quite strong and some firms and industry associations are optimistic about their future, even though they face increasing global competition and lower protection.³

² Productivity Commission, above note 1, p11

³ Productivity Commission, above note 1, p38

TCFUA Submissions to the Productivity Commission Inquiry

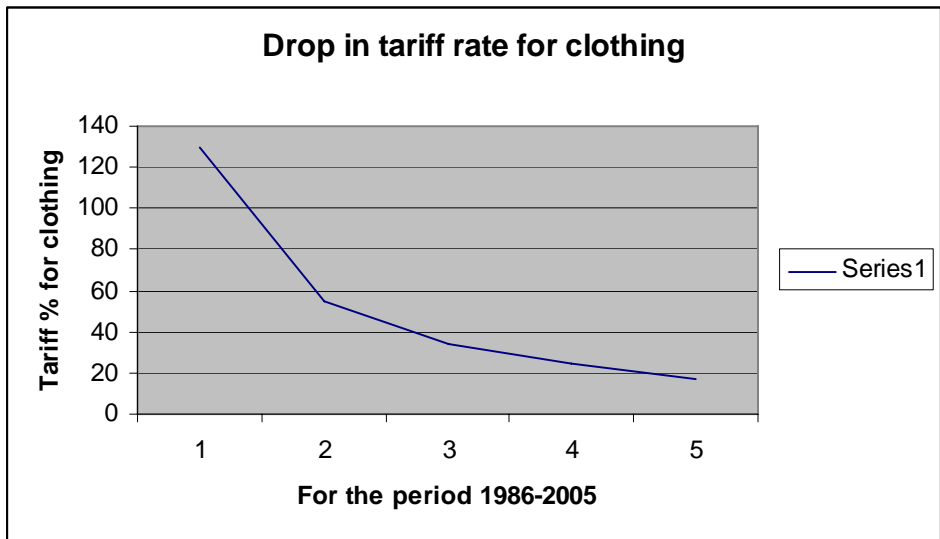
12. The TCFUA made extensive submissions to the Productivity Commission inquiry⁴ which we believe give a greater insight into the economic realities of the changed and changing nature of the TCF industry, especially for TCF workers.
13. In its submissions the TCFUA made clear that the Union, along with the industry, is committed to developing a world-class TCF sector with an emphasis on manufacturing high-value added products that can be exported to the global market, an industry characterised by new product development, investment in new technology and continuous innovation.
14. The TCFUA's view was, and continues to be, that further reducing tariffs will not only hinder the development of the industry but threaten its existence.
15. The following is an extract from that submission:

“TCF tariffs have fallen dramatically since the mid-1980s. In 1986 the TCF clothing tariff was 130%⁵. It is now 25%. This 80% drop in the tariff rate has come at a huge cost to TCF workers. From 1986 to 2001 TCF employment levels have halved from 116,000 workers to 58,500⁶. It is hard to argue that falling tariff rates are not the major cause of this decline.

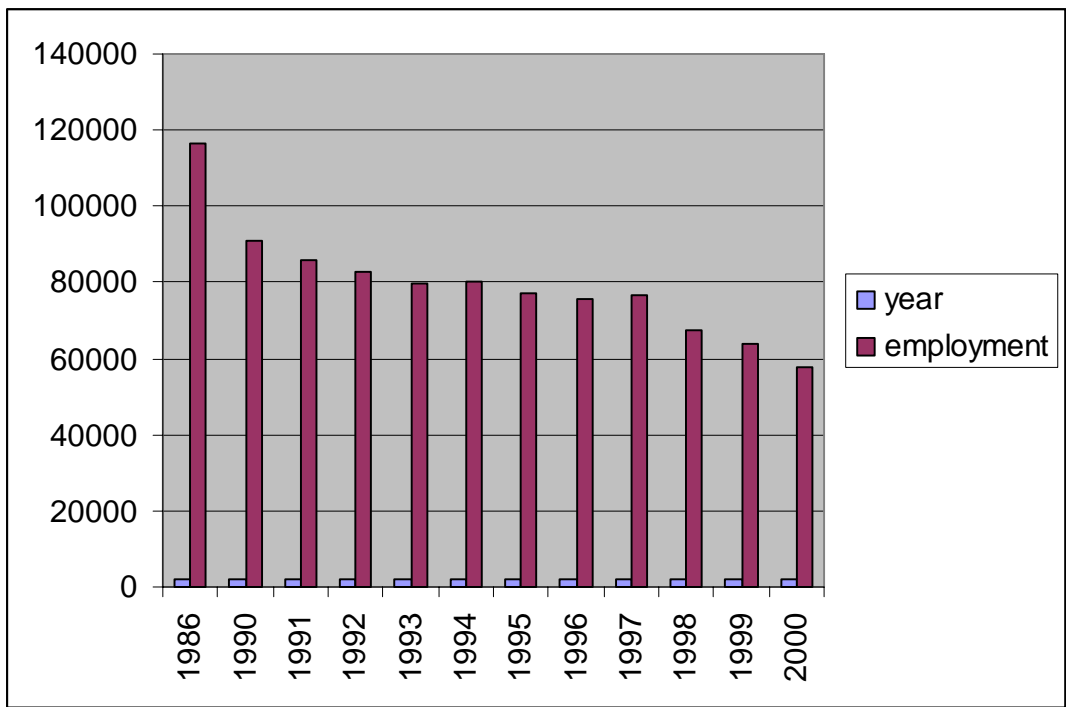
⁴ TCFUA, *Submission to the productivity commission post 2005 textile clothing and footwear assistance arrangements*, March 2003 and TCFUA, *Final Submission to the Productivity Commission post 2005 Textile, Clothing and Footwear Assistance Arrangements*, June 2003

⁵ IAC 1997 Report, Pg 394.

⁶ ABS. TCFL Employment. ANZIC 4d by Financial Year.



Graph 1 shows how dramatically TCF tariffs have fallen in recent years⁷



Graph 2 shows the steady decline in TCF employment since 1986⁸

⁷ IAC 1997 Report, Pg 394.

⁸ ABS. TCFL Employment. ANZIC 4d by Financial Year.

...It is highly likely, if not inevitable, that continued falls in tariff protection in the post-2005 period will result in a continuation of this trend. The problem for the TCF sector is that a decade and a half of closures, rationalisation and retrenchment has led to a situation where the critical mass of the industry is such that further closures may well result in parts of the industry being unable to source materials for continued Australian production. Each closure has a flow-on effect to other businesses in terms of loss of business and bad debt. The TCFUA believes that at some point the whole industry is under threat by a continuation of such trends.”⁹

16. Two years on, tariffs have dropped further, imports have increased and employment levels are lower than ever. The TCFUA believes that the TCF Industry in Australia is in even greater danger of dipping below the critical mass required for ongoing viability.

II. THE INFORMAL SECTOR OF THE CLOTHING INDUSTRY¹⁰

17. The decline of employment in the formal TCF industry, and in particular the clothing industry, is documented above and is well known. What is more often overlooked are the vast numbers of outworkers performing manufacturing work in the clothing industry in Australia.

18. In order to get a complete picture of the state of the TCF industry it is necessary to understand that the predominant form of manufacturing work in the clothing industry in Australia takes place in the “informal sector” and is performed by clothing outworkers.

⁹ TCFUA, March 2003, above note 4, 11-13.

¹⁰ The material set out in this submission regarding outworkers in the clothing industry is largely extracted from the TCFUA’s submission of May 2005 to the Department of Employment and Workplace Relations’ discussion paper regarding independent contractor law reform.

Numbers of Clothing Outworkers

19. Given the nature of home based work, it is very difficult to ascertain the precise numbers of clothing outworkers in Australia.

20. In *Re Clothing Trades Award 1982*, a 1987 decision of the Australian Industrial Relations Commission in relation to the variation of the outworker provisions in the Clothing Trades Award, Riordan DP made the following observations regarding the difficulty in estimating numbers:

“The number of persons engaged in this class of work is very considerable with estimates ranging from 30000 to 60000. These figures seem very high and there was no satisfactory verification of them in the proceedings. But those who have made these estimates are very experienced and their opinions must be treated with respect. Those engaged in this activity are sometimes referred to as the ‘invisible industry’. Some estimates indicate that there are as many in the so called ‘invisible industry’ as there are in the industry regulated by the award.”¹¹

21. As part of a National Outwork Information Campaign in 1994-5, the TCFUA undertook an exercise to gather numbers by investigating companies through a number of avenues, and by taking into account a percentage of the industry not organised.

22. Following this exercise the TCFUA formed the view that outworker numbers had previously been dramatically underestimated, and came to the following estimations regarding the numbers of outworkers¹²:

¹¹ *Re Clothing Trades Award 1982*, (1987) 19 IR 416 at 422

¹² Textile, Clothing and Footwear Union of Australia, *The Hidden Cost of Fashion*, Report on the National Outwork Information Campaign, March 1995, at 5.

Victoria	144,000
New South Wales	120,000
Queensland	25,000
South Australia	25,000
West Australia	15,000
TOTAL	329,000

23. A Senate Committee inquiry in 1996 found that there was somewhere between 50,000 and 330,000 people involved in outworking in the garment industry, and concluded that it is highly likely that the number of outworkers had increased considerably over the previous decade.¹³

24. Since these estimates were reached, the general contraction of the formal clothing industry is likely to have affected the number of outworkers. On the one hand, the movement of much production offshore and “import penetration” means that there is less manufacturing generally taking place domestically.¹⁴ However, the TCFUA believes that a significant portion of this general contraction in the formal industry is a result of the move from factory based manufacturing to home based work.

25. The Productivity Commission in July 2003 estimated that there were approximately 25,000 outworkers in Australia. The TCFUA believes based on our experience that this is a gross underestimate. However, as the Productivity Commission report notes, even based on its own estimate, outwork would account for around 40% of employment across the whole TCF sector, and exceeds factory based clothing manufacture by about 25%.¹⁵ It is a highly prevalent form of work in the TCF industry, and the dominant form of manufacturing in the clothing industry.

¹³ Senate Economic Reference Committee, *Report on Outworkers in the Garment Industry*, (1996), executive summary.

¹⁴ Productivity Commission, above note 1, at 181.

¹⁵ Productivity Commission, above note 1 at 182

26. The extent of outwork in Australia, even as underestimated, and its nature as a primary form of work in the domestic TCF industry and *the* primary form of work in the domestic clothing industry means that it cannot be ignored in any meaningful analysis of the labour market impact of a China FTA on the TCF industry.

The Contracting Chain

27. The clothing industry in Australia has become dependent upon and structured around subcontracting and outsourcing to facilitate the prolific use of outworkers or home based workers. The subcontracting and outsourcing referred to most commonly takes place in a standard “supply chain” structure involving retailers, fashion houses or large manufacturers at the top, a succession of “middlemen”, and an outworker, who actually performs the relevant manufacturing work, at the bottom. What occurs through this process is that a price for the manufacture of the products is set at the top of the chain, which is successively eroded, often by non-productive parties, as the work moves further down the chain.¹⁶

The characteristics of TCF outwork

28. There have been a number of studies into the nature of outwork in Australia in recent years.¹⁷ The results of these studies are disturbingly consistent. They are summarised in the 2004 Victorian Ethical Clothing Trades Council Compliance Report as:

- *“low piece rates, which translate to low hourly wage rates which are contrary to industry award standards;*
- *late payment, part payment or non payment of wages;*
- *unreasonable and improper rejection of work by contractors/ employers;*

¹⁶ See Nossar I, Johnstone R and Quinlan M, *Regulating Supply Chains to Address the Occupational Health and Safety Problems Associated with Precarious Employment: The Case of Home Based Clothing Workers in Australia*, (2004) 17 AJLL 137 at 145

¹⁷ See for example Victorian Ethical Clothing Trades Council, above note 2, footnotes at page 9

- *lack of basic industrial entitlements such as paid annual leave;*
- *long working hours without appropriate penalty rates;*
- *impossible or unreasonable deadlines for completion of work;*
- *substandard working environments affecting occupational health and safety; and*
- *strain associated with combining work and family responsibilities*¹⁸

29. The most recent such study is “*Home Sweat Home*”, the first stage of a two part study of outworkers in the textile industry in Victoria in 2001.¹⁹ In this study, 119 outworkers took part in an administered survey and discussion. Some of the key findings set out in the report are as follows:

- 115 of 119 of the outworkers were women;
- 110 of the outworkers were born in Vietnam, only 2 were born in Australia;
- Over 80% had been outworkers for over 5 years;
- 68% of the outworkers wanted to work outside the home. Of these, the main reasons for doing outwork included that they couldn’t get work outside the home, their English was not good enough, they did not understand Australian systems, they had experienced racism in outside work or in public, they could not drive or they did not have enough confidence;
- The average hourly rate of pay for the outworkers surveyed was \$3.60 per hour;
- In 105 cases wages were only used for essential expenses;
- Most were not usually offered regular work (89);
- wages were not usually paid on time (99);
- often the pay was not known before starting the job (53);

¹⁸ Victorian Ethical Clothing Trades Council, above note 2 at 9

¹⁹ Cregan, C, *Home Sweat Home: Preliminary findings of the first stage of a two-part study of outworkers in the textile industry in Melbourne, Victoria*, Department of Management, University of Melbourne, November 2001.

- often the pay was different from the agreed price (60);
- often pay was not received (62);
- barely any of the outworkers received sick, holiday or public holiday pay (1, 3 and 2 respectively);
- 62% spent 7 days a week sewing, and an additional 26% spent 6 days; and
- The largest group worked 10 hours per day (25) and the second largest group worked 14-15 hours per day (22).

30. In addition to industrial conditions, Outworkers report about three times the number of (both acute and chronic) injuries than their counterparts who work in factories. They are often subjected to occupational violence at the hands of middlemen in the contracting chain. Despite this higher incidence of injury and violence, studies have shown that outworkers simply do not make workers compensation claims.²⁰

31. In *Re Clothing Trades Award 1982*, dealt with below, Riordan DP made the following observations about the nature of outwork in Australia based on the evidence he had before him:

“[t]he evidence and material in this case discloses a very distressing situation which has no place in a society which embraces the concepts of social justice. The undisputed facts reveal the existence of widespread and grossly unfair exploitation of migrant women of non-English speaking background who are amongst the most vulnerable persons in the workforce.”²¹

32. Riordan DP went on to observe that:

²⁰ Nossar et al, above note 10 at 146

²¹ *Re Clothing Trades Award 1982*, above note 4 at 419.

“[t]he remuneration and treatment of tens of thousands of persons performing work in the clothing trade as “outdoor workers” is scandalous and represents a serious affront to the moral and social conscience of the community. The present situation reveals a serious failure of the system of industrial regulation to protect one of the most vulnerable and insecure sections of the community. Some are persons who have an urgent, and even desperate, need to earn whatever money is possible by the performance of this work for a relative pittance under appalling conditions. Almost all of those involved are women of migrant background. Some do not speak or understand English at all and some have only a very limited knowledge of it. Many have dependent children and have no other prospect of employment. Such persons are easy prey for those with a will to deprive them of a fair and just reward for their skills and the performance of long hours of work. It would be unconscionable to ignore the plight of these workers and refuse to intervene in this situation of grossly improper exploitation of a weak and unorganized section of the workforce.”²²

33. The TCFUA submits that the situation in respect of outworkers and their vulnerability to exploitation has remained as demonstrably bad, if not worse, in recent years as it was at the time Riordan DP made those observations.

34. The TCFUA believes that if greater pressure on the industry is brought to bear by further reducing tariffs, the push of jobs from the formal to the informal sector will only become worse. The relationship between reduced tariffs and contraction of the industry and the incidence of outwork is dealt with further below.

²² Ibid at 421-2.

III. THE EFFECT OF A CHINA FTA ON THE CURRENT PHASED TARIFF REDUCTION AND INDUSTRY ASSISTANCE SCHEME

The Current Industry Assistance Scheme

35. As a result of the Productivity Commission's recommendations, the Federal Government's current Industry plan provided for the reduction in tariffs to their current levels of 17.5% (clothing) and 10% (textiles/footwear) as of 1 January 2005, and provides for the further reduction in tariffs to 5% in 2010 (Textiles, Footwear) and 2015 (Clothing).
36. Accompanying these reductions is an industry assistance package aimed at strategic investment and to assist with structural adjustment in the industry.
37. Whilst the TCFUA was opposed to the outcome of the Productivity Commission's inquiry in respect of the reduction in tariffs and the inadequacy of the assistance package for TCF workers, the passing of legislation giving affect to the package had the effect of delivering some certainty to the TCF industry.
38. It is of great concern that the joint Australia-China feasibility study into a Free Trade Agreement, states "*A possible Free Trade Agreement between Australia and China would be expected to eliminate tariffs on substantially all trade between the two countries whilst taking into account the domestic income and employment impacts on each sector. In addition it would be important to ensure that non-tariff measures applied by both countries did not negate the trade and economic benefits of tariff elimination.*"²³
39. In addition, the government modelling that lies behind the feasibility study is based on the assumption that tariffs in the TCF sector (and all others) would be 0 from 2006.

²³ DFAT, *Australia- China Free Trade Agreement Joint Feasibility Study*, March 2005, p3

40. In 2002/3, Chinese imports accounted for 25% of textile imports into Australia, 63% of footwear imports and 74% of clothing imports.²⁴ In 2003/4, Chinese imports accounted for 26.09% of textile imports, 71.89% of clothing imports and 61.9% of footwear imports.²⁵ Given the huge share China has of Australia's imports in the TCF industries, any change to tariffs in respect of China will effectively amount to an industry wide reduction rather than bilateral preferential treatment.

41. Little comfort is obtained from Howard government ministers, who are sending mixed messages about the effect of an FTA with China on tariffs in the TCF sector. For example:

"In Beijing yesterday Prime Minister John Howard said Australia's remaining tariff protection for its textile and car industries would be "caught up in the negotiations".²⁶

and...

"Nothing has been excluded from negotiations on a free trade agreement between Australia and China, according to Trade Minister Mark Vaile. He says all products across all sectors are up for negotiation."²⁷

and...

"CLOTHING manufacturers could be asked to agree to steeper reductions in their tariff protection as part of Australia's looming free trade deal with China.

²⁴ TCFUA, *A Submission to the Australia-China Free Trade Agreement Feasibility Study*, June 2004, sourced from ABS data as reprinted in the TFUA Business Services March Quarter 2004.

²⁵ TFIA, *The Australian TCF Industry – A Profile*, <http://www.tfia.com.au>

²⁶ China Deal Delivers \$24bn Bonanza, Australian Financial Review, 20 April 2005

²⁷ Nothing left out of China FTA: Vaile, www.news.com.au, 20 April, 2005

Trade Minister Mark Vaile told The Australian yesterday that Australia's team of trade negotiators would push for genuine gains in agriculture and could be prepared on that basis to give some ground on textiles.

Mr Vaile said Australia had been able to reach special deals last year with the US and Thailand that gave those two countries preferential access to Australia's textile market.

He said those deals had been "acceptable" to Australian clothing manufacturers. "We came out of those negotiations with a reasonable outcome," he said.

Mr Vaile has previously been careful to say that Canberra would not override the current textile, clothing and footwear industry plans that maintain tariff protection until 2015. But he said yesterday Australia would look for "a comprehensive outcome with balance across all sectors". He said given the international textile row between China, the US and the European Union, it was certainly possible" that China would push for greater access to Australia's clothing market.

And instead of his previous public comments that the textile, clothing and footwear industry adjustment plans were not on the table, Mr Vaile would yesterday say only that Australian manufacturers would not be "totally exposed".²⁸

but...

*"Australia's agreed tariff reduction programs in the textile and automotive industries should not be accelerated or rewritten in negotiations for a free trade agreement with China, industry Minister Ian McFarlane said. ...
"Australia has two carefully constructed industry plans, for the TCF and auto*

²⁸ *Textiles Feel Heat in China Deal*, The Australian, 20 June 2005

*industries. The sectors need the long term security of these 10 year plans, which I wouldn't like to see accelerated or rewritten in the face of an FTA"...*²⁹

No Justification for Tariff Reduction in government modelling

42. The government modelling provides no justification for the reduction of tariffs in the manufacturing sector as a whole, let alone the TCF Industry.

43. Economist David Bassanese has observed that the manufacturing sector could be left out of a free trade agreement with China altogether and based on the government modelling the impact would be minimal:

At most "risk" is Australia's manufacturing sector, which is still sheltering behind moderate levels of protection.... Achieving agreement in goods trade, therefore, appears fraught with difficulty. But if the Government commissioned modelling is correct, both sides might simply avoid the landmines in manufacturing ... altogether – as most of the FTA gains (especially for China) stem from more liberalised trade in services and cross-border investment.

*According to the commissioned study, Australia's gross domestic product would be 0.37 percentage points higher by 2015 if a full FTA were implemented next year. But three-quarters of this gain would come from services and investment. China's GDP would be 0.39 percentage points higher by 2015, and only 13 per cent of that would come from liberalisation of goods trade – due to Australia's already relatively low trade barriers in this area.*³⁰

²⁹ Cautious stance on job losses under FTA, Australian Financial Review, 21 April 2005

³⁰ *FTA: Faster isn't Better*, Weekend Australian Financial Review, 22-25 April 2005

44. We detail our general concerns about the reliability of the government modelling below. However even assuming it to be reliable, it is clear that the reduction in tariffs in manufacturing amounts to a very small proportion of the economic gains predicted by the government modelling. In light of the other considerations set out within this submission, these minor gains do not justify the cost associated with a further reduction of tariffs. In the case of the TCF industry overall, the government modelling predicts a contraction in the industry and job losses. There is no basis upon which to justify a decision to subject the industry to tariff reduction which will cause its further demise.

TCF Industry Needs Certainty

45. Certainty regarding tariff levels and assistance is of vital importance to the TCF industry. This certainty was delivered only months ago with the passing of legislation to give effect to the TCF industry assistance package.

46. Advice provided to the TCFUA during the consultation process to date has gone no further than to indicate that the Australian Government's initial negotiating position will be the maintenance of the existing regime. This advice was then contradicted only days ago by Mark Vaile (see paragraph 40). Given the additional advice provided that it is impossible to put a time frame on the likely conclusion of a China FTA, the possibility of the Government reopening the current industry plan has in itself already introduced uncertainty and this is likely to have a destabilising effect on the TCF industry.

47. In the words of the Productivity Commission:

“Governments also have an important role to play in formulating a well understood, stable and predictable assistance policy regime to provide for an appropriate balance between the interests of firms, employees and TCF

regions on the one hand, and user industries, consumers and taxpayers on the other.”(emphasis added)³¹

48. It is imperative that the Australian government give a solid commitment that a China FTA will not alter existing TCF industry arrangements, and it is imperative that that commitment be provided now.

IV. JOB LOSSES NOT PROJECTED BY GOVERNMENT MODELLING

49. The Government’s economic modelling predicts that in the wearing apparel sector, the China FTA would result an 11.9% reduction in jobs by 2015. Even though there are currently 22,300 jobs in the formal sector of the clothing industry, the government modelling predicts that this will reduce by 13,000 by 2015 without any adjustment to tariffs in respect of China. Accordingly the government modelling predicts that a China FTA would only lead to the loss of about 1500 extra jobs. There is no explanation provided about the basis upon which the two figures are separated.

50. The TCFUA considers that if tariffs are further reduced through a China FTA it is impossible to suggest that job losses occurring now and in the future can somehow be quarantined from its effect. The TCFUA believes that the job loss figure is grossly understated.

Critical Mass Needed

51. Australian TCF companies are already under intense import competition. This growth in imports has accelerated since tariff reductions in the mid-1990s. The size and scale of the Chinese TCF industry is so great that differential tariff

³¹ Productivity Commission, above note 1, p38.

arrangements with China could see what has to date been a flood of imports become the complete obliteration of the Australian TCF industry.

52. A critical mass of jobs is needed in the industry in order for us to specialise and survive into the future. Reducing tariffs will quickly kill off our skill base and ruin our efforts to develop a cost-effective niche in the domestic and world markets.

One Job lost leads to others

53. According to the TFIA in its submission to the feasibility study, *“the [TCF] industry represents approximately 10 per cent of all manufacturing establishments in Australia. This activity produces “feeder” benefits through other sections of the economy. For instance, it is estimated that each job in TCF&L creates 2.5-3 jobs in other sectors.”*³² The flow on effect of job losses cannot be understated, especially given that the industry provides substantial employment in regional and metropolitan areas.

54. Similarly, the Productivity Commission report recognises that:

“When TCF firms close down or reduce employment, adjustment costs extend beyond their employees and families to the broader community. Although these flow-on costs can affect city areas ... they are potentially more significant in regional areas where the total job pool is smaller and where alternative job prospects are generally more limited than in the metropolitan centres. The repercussions spread to non-TCF firms, their employees, and the region’s social infrastructure. The City of Greater Geelong, for example, contended that each textile job leads to the creation

³² TFIA Submission to the Australia-China Free Trade Agreement Feasibility Study, p1

*of an additional 1.38 jobs elsewhere in the local community, with each clothing and footwear job creating an additional 1.27 places.*³³

55. The government modelling does not allow these factors to be taken into account. Given that a significant proportion of the TCF industry is located in regional areas (especially in Victoria), this additional, unmodelled job loss should be of great concern to the Government. This is especially so when the government modelling also does not deal with the economic or social costs of unemployment at all.

Informal Sector Jobs

56. In the past, reductions in tariffs have resulted in a massive surge in the use of home-based outworking that is mostly unregulated, unsafe and pays extremely low wages as detailed above. It is highly likely that continued tariff reductions will continue this trend. The TCFUA submission to the productivity commission noted as follows:

While outwork was a feature of the clothing industry back in the 1960s, it was marginal to the clothing industry. This is not the situation today. In 2003 outwork is by no means peripheral to the clothing industry, the industry in fact is structured around outwork.

....

*Research done by the TCFUA in recent years has verified that the number of outworkers in Australia has risen sharply over the last ten years.*³⁴

This dramatic increase in the number of outworkers over the last decade has corresponded with government policy to reduce protection in the TCF

³³ Productivity Commission, above note 1, p50

³⁴ The Hidden Cost of Fashion, TCFUA 1995

industry. The significant reduction in tariff levels in the late eighties impacted on the clothing industry in a variety of ways. One major consequence was the closure of a number of factories which were unable to tolerate the import competition which ensued following reduced domestic protection. The other effect of tariff reduction was the decentralisation of the production process with a reliance on subcontracting.

In the climate of reduced protection many companies restructured through reducing their labour costs and developing a flexible workforce - the new flexible worker as part of the low cost labour strategy had to be temporary, outsourced and home-based. Thus as the industry underwent restructuring, the number of outworkers exploded and they continue to constitute around 80% of workers involved in the clothing industry today.

International garment industry advisors, such as David Birnbaum,³⁵ argue however, that industry has failed to consider the Full Value Cost Analysis and therefore, the focus on labour rates and low cost options per unit is a false economy. He claims that industry should be considering the macro costs relating to the country in which the products are made. They should consider indirect costs such as samples, locating and ordering fabric, trims, specification sheets required, pre-production arrangements, quality levels, standards and lead times etc, that is, all the steps before cutting the garment. Birnbaum argues that “The lowest cost garments do not come from places with the lowest wage rates”....and that “ There exists no direct correlation between labour rates and manufacturing costs”.³⁶

57. The effect of a China FTA on jobs in the informal sector has been completely overlooked in the government modelling and the feasibility study. In our view, it is likely that reduced tariffs will provide a further incentive for formal sector

³⁵ Birnbaum David, *Birnbaums Global Guide to Winning the Great Garment War*, Third Horizon Press, Hong Kong 2000.

³⁶ Birnbaum, above note 34, p xix.

employment to contract, and the informal sector of the clothing industry will continue to grow. There is an unanswerable public policy basis for seeking to avoid this at all costs.

58. Legislative measures have been developed in most states in order to counter the exploitation of outworkers. The TCFUA will continue its work in ensuring that every outworker in Australia is properly paid for their work and is afforded all other rights and entitlements due to them. As the capacity for exploitative practices reduces, these jobs are equally at risk from the effects of lowered tariffs as part of a China FTA.

59. A shift from regulated, full time employment at legal minimum rates of pay and conditions, with job security and other basic standards to unregulated work with no guarantees of payment, no safety standards, hourly rates equivalent to those paid in China and extremely long working hours cannot be the basis for the continued survival of the industry in Australia.

V. ECONOMIC AND SOCIAL COSTS NOT PROJECTED BY GOVERNMENT MODELLING

60. The biggest flaw in the government modelling is the complete failure to deal with resulting unemployment from a China FTA.

61. The current TCF skill base consists primarily of an ageing workforce, with a high proportion of workers from non-English speaking backgrounds and women. In 2002 women represented 59% of the TCF&L workforce down from 68% in 1985. Over the same period full-time employment for women declined by 47%, whilst for men it declined by 16%.³⁷ The proportion of TCF&L workers from non-English speaking backgrounds is 41%, compared to 23% for 'all manufacturing' and 14%

³⁷ ABS. Labour Force Survey Data.

for 'all industries'³⁸ The average skill and qualification levels are deemed low with 74% of the TCF workforce having no formal qualification.³⁹

62. The position taken in the government modelling is as follows:

"In our simulations we assume that in the long-run national employment in each country is determined by demographic factors (e.g., labour-force participation rates) that are unlikely to be affected by the implementation of an FTA. Thus we assume that the removal of protection on merchandise trade has no long-run effects on national employment in either Australia or China...."

Although in our simulations the FTA does not affect employment in the long-run, it does affect the industrial composition of employment... We assume that labour moves between industries so as to maintain inter- industry wage differentials at their baseline levels. Accordingly, in the long run in each country industries that are favourably affected by the FTA will experience increased employment at the expense of industries that are less favourably affected."⁴⁰

63. The assumption that employment is transferable from one sector to another is simply wrong. In the case of the TCF industry, several studies have shown that it is impossible to redeploy much of the TCF workforce in other sectors of the economy and that many workers remain unemployed for the remainder of what would have been their working life.

64. According to economist David Bassanese:

"Economic models generally assume a fully employed economy in which labour can move almost effortlessly from one sector to another. Almost by

³⁸ ABS. Labour Force Survey. Unpublished..

³⁹ ABS. 1996 Census Data

⁴⁰ Mai, Adams, Fan, Li and Zheng, *Modelling the Potential Benefits of an Australia-China Free Trade Agreement*, 2 March 2005, pp17-18

*definition, these models would show gains from an FTA – even if we get squat from the other side. It's virtually impossible for them to show a country losing from an FTA. But the real world is more complicated. We can't teach car makers, for example, to become computer programmers overnight. In reality, such sectoral change is often generational and comes at the cost of leaving a rump of newly redundant workers on welfare for the rest of their working lives.*⁴¹

65. This phenomenon is clearly demonstrated by a study of over 300 displaced TCF workers in August 2003 by the Centre for Work and Change in the Global Era WAGE. The report of the study, *The Long Goodbye: TCF workers, Unemployment and Deregulation* found that:

- a. The mean time since retrenchment was 39 months – more than 3 years.
- b. Only 54% of those surveyed had found work and only one in five had found work broadly commensurate with their former TCF job in terms of hours, pay and conditions.
- c. Mean weekly earnings of all respondents before retrenchment was \$409.44. At the time of the survey, post-retrenchment, it was \$360.24, with the upper income range truncated.
- d. Although 96% had worked full-time before retrenchment, only 21% now work full-time, with the mean number of hours worked per week after retrenchment being 27. One-fifth of the sample has found only casual employment after their jobs – approximately the same number as have found full-time employment.

⁴¹ *FTA: faster isn't better*, Weekend Australian Financial Review, 22-25 April 2005

- e. Eighty-one percent had received no instrumental assistance from their past employer, the Government or any agency since retrenchment.⁴²

66. The productivity commission accepted this analysis:

“The characteristics of the TCF workforce suggest that many employees could find it difficult to secure alternative employment. This is likely to increase the economic and social costs associated with further downsizing and restructuring in the sector. ... [E]ducational levels are often low, skills are frequently basic and sector-specific, and employees are more likely to be older, female, married and less proficient in speaking English than in other parts of the workforce.”⁴³

67. TCF workers who lose their jobs face a dim future in the face of industry contraction which has occurred already and which is projected by the feasibility study. Other than the direct economic effects, there are serious social effects which flow from these job losses.

68. The TCFUA submission to the productivity commission outlines some of these effects:

“The negative effects of retrenchment on workers are broad and widely documented. Such effects include the obvious economic problems unemployment brings such as inadequate income, debt, mortgage and loan foreclosure, eviction and also include feelings of boredom, depression, social dislocation, impaired mental health etc.

It has been suggested by counsellors that workers who are retrenched experience a 6-8 week period coming to terms with the loss before they can effectively engage in seeking alternative work.⁴⁴

⁴² Monash University, WAGE, Centre for Work and Society in the Global Era, *The Long Goodbye, TCF workers, unemployment and tariff deregulation*, August 2003.

⁴³ Productivity Commission Report, above note 1, p33

⁴⁴ Webber M and Weller S, *Refashioning the Ragtrade*. UNSW Press. 2001. Pg 229

Work often constitutes the means by which a person defines their identity, this is realised not only by the type of work performed but the sense of well being which ensues from feeling that one is making a contribution to society and being involved in a group.

Job loss, especially when it is sudden, immediately removes this avenue through which people feel part of the work community, this in itself produces feelings of isolation. Moreover, without paid employment, people do not have the fiscal means to engage in activities which would have the effect of ameliorating such feelings of social dislocation. Hence, retrenched workers, despite having ample time to engage in activities which would generate feelings of self worth, have reduced capacity to do so due to lack of fiscal resources.⁴⁵

In addition to feelings of anger, frustration and worthlessness, retrenched workers typically experience financial difficulties which further impacts on their psychological and emotional health. Redundancy payments, when made, provide short-term security, however in a lot of cases retrenched workers are often forced to sell property in order to get by. This is particularly the case in situations where workers who having received little or no warning that their job was threatened have invested in property and other assets and are hence over committed financially. As social security payments are governed by means tests, a number of these workers were deemed ineligible for welfare payments, hence, having no access to basic financial advice, such workers proceeded to fritter away their assets before being eligible to claim unemployment and other benefits.⁴⁶

⁴⁵ Ibid, pg 229

⁴⁶ TCFUA, March 2003, above note 4, p69-70.

Loss of Entitlements on Company Closure

69. These circumstances are often exacerbated because in circumstances where companies close, workers lose the entitlements they have accrued over the length of their employment. One of the major consequences of company closures in the TCF industry has been that many workers have not only lost their jobs but have also lost their legal entitlements to holiday pay, long service leave and redundancy pay. Despite the introduction of the GEERS scheme (and its predecessor the EESS scheme) many of these problems still remain. These problems will continue as a consequence of further tariff reduction and are a cost that needs to be taken into account in opposition to further tariff cuts.

Regional Australia

70. Regional Australia is in the most precarious position in this regard. Post-war government policy saw many TCF businesses encouraged to set-up in regional Australia. Consequently there are still about 20% of TCF businesses concentrated in regional Australia.⁴⁷

71. The past decade has seen a reduction in many of these regional businesses, but in some areas they still account for a sizable proportion of local employment. For example in Geelong the TCF industry has an estimated turnover of \$440 million, employs over 2,150 people directly and a further 2,838 indirectly and accounts for 14.2% of Geelong's total manufacturing workforce. This is compared to the Victorian figure of 8.9% and the national figure of 7%. In Wangaratta the TCF industry employs 12% of the total workforce.

72. Whilst unemployment in many regional areas has reduced in recent years the unemployment figures do not take into account workers who have left these areas to travel to the city to find work. People in regional Australia understand the

⁴⁷ This is based on an extrapolation of the August 2001 ABS Labour Force Survey for Victoria.

difficulty of attracting new investment and that is why they are so keen to maintain existing jobs.⁴⁸

Inadequacy of the Structural Adjustment Program to address these issues

73. The TCFUA has unfortunately gained significant expertise in relation to the most effective strategies for assisting TCF workers' to obtain other employment.

74. The government's current Structural Adjustment Program provides funding directly to centrelink and job networks to assist retrenched TCF workers. There are inherent problems with assistance for retrenched workers being channelled entirely through the existing Centrelink and Job Network system. For a start, we know through our experience that the best time to advocate the use of the system or any assistance package to TCF workers is BEFORE they leave the workplace. We know they need immediate tailored and focused support to deal with their loss, face their work and life options and choose relevant training to assist in their transition. We know they need assistance in making decisions about training courses. We know that Centrelink and Job Network are currently not able to deliver the level of assistance this group of people urgently require.

75. Notification to DEWR about retrenchments in TCF is not provided by many TCF employers despite the fact that employers are supposed to notify DEWR if there are retrenchments of 15 or more. In practice this rarely happens. Generally Centrelink only attends worksites to visit retrenched workers when notified by the TCFUA.

76. Centrelink does not give information about Job Networks in their talks to groups of retrenched workers before they leave the workplace. Feedback we have received from retrenched workers after Centrelink presentations indicates they often feel

⁴⁸ TCFUA, March 2003, above note 4, p 20.

discouraged from using the system due to their age, their financial ineligibility and the complexity of the system awaiting them.

77. Retrenched TCF workers who lose their jobs after 20 years together are a community. It is demonstrated to be more effective to keep the community together for a period of assistance and retraining after retrenchment to assist with the many transition issues they face.

78. There is no evidence to suggest that Job Network assists or can assist people with the retrenched TCF worker profile to find stable work. The view of most retrenched workers is that Job Network is not worth going to, as it does not deliver.

79. There are only a few Job networks set up to cater for non English Speaking Community. There is no systematic way in which NESB Job seekers are directed to or assisted to choose the relevant Job Network.

80. The recent auditors report on DEWR found that DEWR had not prepared any indicators or measurable performance standards against which DEWR, Centrelink, JNM staff or job seekers could assess performance. Coupled with low level of complaints mechanism this makes it impossible to say it has successfully met its targets. Staff skills, standards of facilities and continuous improvement practices were found to be wanting. Job Seeker seminars were found to be inadequate, with job seekers receiving little or no information from JNMs to use in making a decision about which JNM to use. Assessment and referrals were slow. The auditors found that for job seekers receiving personalised assistance job seekers rarely had the amount of contact that was promised. Assessment regarding barriers to employment was limited with inadequate information collection. There was limited and inadequate customisation of job search plans throughout intensive assistance periods.

81. Even if retrenched workers with language and literacy barriers were encouraged by Centrelink to use specific Job Network Members with the expertise, retrenched

worker from our industry do not use job Network for a range of reasons to do with quality of outcomes.

82. Job Networks have a vested interest in finding immediate work for people in the highly disadvantaged category as they can earn more points. However, we believe that long term, many workers from our industry are better off retraining for long term stable employment rather than accessing immediate short term casual work.

83. Job Networks can theoretically assist single language groups by running information sessions bilingually. In mixed language retrenched groups this delivery needs to be done by people with NESB group experience. Even in specialist Job Networks the Job Network officers are not always language and literacy trained and there is a high level of staff turnover.

84. If people are deemed to be unable to cope with the Job Seeker training to which they are eligible under Customised Assistance, they can be assessed by the Job Network Member as 'highly disadvantaged' and referred to a LLNP or sometimes another local language provider for a language and literacy assessment. Job Network providers are not usually well versed in the range of TAFE community and private RTO courses with a practical orientation as well as a language and literacy emphasis. Promotion of such courses is ad hoc and depends entirely on the efforts put in by the various providers themselves in each area and their particular relationships with individual Job Network Member staff.

85. LLNP providers often report that they cannot cope with the numbers currently referred. TAFE colleges report that there are currently insufficient Level 1 and 2 certificate level ESL and literacy courses available. In addition, workers who have survived well for 20 years with literacy levels report to wanting practical and immediately useful courses that will assist them to find work in more stable areas such as Aged Care, Child Care, Construction, transport and Delivery, Hospitality and other service provision areas. There are few LLNP providers who offer useful

ESL courses which act as bridging courses into these areas. Thus the existing referral process does not necessarily help a person find practical and strategic training.

86. Even for highly disadvantaged job seekers it is not automatically true that the Job Network will allocate funds from the Job Seeker account to assist the jobseeker to access training. It is left up to the discretion of individual officers to determine whether it is worth spending the funds to assist the person to find work. Officers are under pressure to allocate such funds carefully.

87. The total value of the industry assistance package is \$750 million. A meagre \$50 million is allocated to assisting retrenched TCF workers. Further, not all of these funds are utilised for direct assistance for workers. All of these issues mean that this very small amount of funding is not being properly or effectively applied and the systemic disadvantages suffered by retrenched TCF workers are not being addressed.

C. SPECIFIC PROBLEMS IMPEDING THE EXPANSION OF AUSTRALIAN TCF EXPORTS INTO CHINA

I. COMMONLY IDENTIFIED “BEHIND THE BORDER” ISSUES

88. The Government has shown significant willingness to incorporate in its Free Trade discussions with China a wide range of market access and internal regulatory issues which impede export of goods and services and investment into China.

89. Some examples of these features of the Chinese economy and legal system which have been identified by the Government and Industry (sometimes referred to as “behind the border” issues) which are of concern, are:

- Chinese government intervention in the operation of the market;
- Hidden government assistance to companies;
- Artificial currency value;
- A lack of transparency in the way the cost of goods and services are calculated;
- A very high level of bureaucracy of officials and rules in order to do business;
- The way the legal system enforces contracts; and
- Lack of protection of intellectual property;

90. The TCFUA holds the view that it will never be acceptable for Australia to enter an FTA with China whilst that FTA deliberately fosters, promotes, facilitates or continues illegal practices, insecurity, anti-unionism, low wages, poor conditions, non-existent health and safety protection for workers and poor environmental standards.

91. However, it is outrageous that in a context where clearly, many internal Chinese regulatory and economic impediments to trade are being countenanced in the discussion, the Government has a blanket policy of refusing to deal with a number of absolutely fundamental “behind the border” issues which severely disadvantage

the Australian TCF industry in effectively competing with Chinese industry and exporting to China, simply on the basis that they are human rights issues. These “market access and regulatory issues” include China’s labour standards, health and safety standards and environmental standards.

II. LABOUR RIGHTS

92. It is the low cost of labour which underpins the inequity in the cost of production between Australia and China.

93. The peak American union organisation, the AFL-CIO, has estimated that Chinese suppression of workers’ rights has cut the price of Chinese labour by between 47% to 86%. If China did not suppress these rights they estimate that the cost of Chinese manufactured goods would rise by between 12% to 77%.⁴⁹ Yet Free Trade fans continue to maintain that to incorporate labour standards in the FTA is to “basically jeopardise the comparative advantage that particularly developing countries have.”⁵⁰

94. Ironically, International Labour Organisation standards, as well as a number of environmental standards, were incorporated into the Australia-USA Free Trade Agreement at the insistence of US Congress. The Howard Government has refused to do the same in respect of a China FTA.

95. China’s position in relation to trade unions and labour rights is summarised by a recent International Confederation of Free Trade Unions (ICFTU) press release from their European division:

“China has made repression of workers’ rights a systematic part of state policy. Independent trade unions are outlawed in China where only one

⁴⁹ www.aflicio.org

⁵⁰ Peter Hendy, ACCI, quoted in *Trading on labour rights*, Financial Review, 21 April 2005

state-controlled trade union centre is allowed to operate. Any strikes are rapidly repressed. Factory workers, who are mostly rural immigrants, which show any interest in trade unions face losing their permit to stay as well as the deposits they are (illegally, but very frequently) required to pay their employer. Workers' protections exist on paper but are rarely enforced by local officials and judges.

As a result working conditions in Chinese special economic zones have already reached the bottom and millions of jobs are moving from other developing countries to China. Worse, this threatens to unleash a 'race to the bottom' in other countries.

The European Commission, while having trade and general discussions with a Chinese official delegation on 5 and 6 May, should insist that these practices are in major contradiction with internationally agreed core labour standards and cannot be tolerated. Technical discussions about market access cannot be allowed to push these fundamental issues to the background. A resolution of these concerns must be a precondition for progress in other areas.

Free trade can be a force for good but it must not become an excuse for worker's repression.⁵¹

96. Free trade zones, established in Southern China as part of a government strategy to attract foreign investment, now host 19 million workers producing export products. Wages paid in these factories are A\$96 - \$112 per month, and have risen by only \$11 in the last 12 years, says Anita Chan, a researcher on China at the Australian National University. "That means wages have been going down, not up, even though the official minimum wage has been going up each year".⁵²

⁵¹ www.ICFTU.org

⁵² quoted in Patricia Ranald, Australian Fair Trade and Investment Network, *Problems with Australia-China Free Trade Agreement*, www.aftinet.org.au

Workers are often pressured to work 12 hours a day, seven days a week, to fill orders. Overtime is paid at a lower rate than the basic salary. Pay is often in arrears to stop workers changing jobs.⁵³

97. China has never ratified ILO conventions 87 and 98, those being the right to organise and to bargain collectively.

98. Many trade unionists have been imprisoned for their activities. In 2002 four leaders of “illegal demonstrations” in Liaoyang were arrested after establishing an independent union to negotiate with the Chinese Government. Workers organising in the north-eastern oil town of Daqing held massive demonstrations and strikes which were repressed by 800 paramilitary members. The government sanctioned All-China Federation of Trade Unions (ACFTU) were quoted as saying, “The ACFTU will not tolerate workers organising in this way.”⁵⁴

99. Eight hundred workers at the Nanxuan Wool Textile Factory in Shuikou walked off the job in protest at being manhandled by security guards. After three days of violence riot police restored order and the leaders arrested. At the Guangyuan Textile Factory in Sichuan Province 1000 workers went on strike resulting in the arrest of more than a dozen leaders.⁵⁵

100. Rural workers are subject to the hukou, a form of household registration. These rural workers who make up the cities’ burgeoning working class are forbidden to compete for the better paid jobs, they are unable to have access to housing that city workers have, and are unable to have access to the same health care and pensions. Typically young and female, they often have to pay bonds to receive employment and then become indebted to factory owners and are powerless to control their life or working conditions. They live in dormitories at factories are often subject to underpayment of wages. If they leave they lose their

⁵³ *The wages of fun*, Sydney Morning Herald, 30 October 2004

⁵⁴ ICFTU Annual Survey of violation of trade union rights, 2003

⁵⁵ *Ibid*

deposits which can amount to many months of labour. With as many as 350 million peasants still living in dire poverty there is no shortage of workers to fill the jobs available, and the oversupply of labour leads to significant exploitation of the workers.⁵⁶

101. The Laogai, which means reform through labour, has been in operation in China's prison system since the establishment of the communist state. Estimates range from 1000 to 6000 prison camps and 10-20 million inmates. The philosophy of these camps is that state criminals, in order to be stripped of their exploiter ideology, need to be taught to work like members of the proletariat. As a result the Laogai has inmates working during their incarceration, often up to 15 hours per day, with food rationed according to the production of the worker.⁵⁷

102. In the 1960s the prison labour was used to assist great infrastructure projects. In today's China they are used to make consumer goods, often for the export market. The camps are operated as businesses and need to make 70% of their annual costs in sales of goods. It is estimated that over 200 Laogai products are exported to international markets. In 1999 there was an international furore when it was discovered that Adidas were manufacturing soccer balls in a Laogai.⁵⁸

103. The use and exploitation of children is common in China. There are no available statistics but independent non-government organisations believe the problem is significant, especially in some special economic zones. The use of child labour is believed to be highest in fireworks, textiles and toy manufacturing.⁵⁹

⁵⁶ www.inthetimes.com

⁵⁷ www.shanghai.ypat.com, The New Internationalist 2001

⁵⁸ BBC, 14 January 1999

⁵⁹ www.globalmarch.org

III. THE EFFECT OF DIFFERENTIAL LABOUR STANDARDS

104. The productivity Commission has recognised that “[f]or some firms, even raising productivity to worlds best practice levels would not enable them to overcome their labour cost disadvantages with developing country competitors. Wage rates in developing countries are a fraction of those in Australia....⁶⁰

105. The submission of the TFIA to the Feasibility study notes that the comparative labour costs in the TCF industry between Australia and China are as follows:

WEAVING	China Hourly Wage	Australia Hourly Wage
Skilled Personnel	\$1.45	\$14.98
Unskilled Personnel	\$0.66	\$11.51
KNITTING		
Skilled Personnel	\$1.64	\$14.98
Unskilled Personnel	\$0.93	\$11.51

(All figures in US Dollars)

106. It is the differential labour costs which would underpin an FTA, particularly in the manufacturing sector. This is acknowledged in the feasibility study, which notes that “China’s large, low-cost workforce means it is expected to retain its competitiveness in labour-intensive exports”

107. In entering an FTA with China, Australia effectively endorses, adapts as its own and exploits the often inhumane labour standards of China. Until Chinese workers receive fair wages and conditions, it will never be acceptable for Australia to enter an FTA with China. The TCFUA will always oppose trading agreements that deliberately foster, promote, facilitate or continue illegal practices, insecurity, anti-unionism, low wages and poor conditions for workers in developing countries.

⁶⁰ Productivity Commission, above note 1, p16

IV. OHS STANDARDS AND ENVIRONMENTAL STANDARDS

108. Likewise, the health and safety record of Chinese companies is appalling. In areas like mining they lead the world in deaths of workers. Lack of enforcement of safety standards leads to a high human cost and means those companies who neglect safety are also at an economic advantage by ignoring the well-being of workers.
109. The first attached article, published in the *Australian* newspaper, details the murder of two female child workers aged 14 and 17 by their employer when he discovered them unconscious in their poorly ventilated dormitory in the textile factory where they worked 12 hour days. He disposed of them at a crematorium, however when their bodies were inspected by their families 4 days later it was clear that they had been placed in the coffins alive. Published in the same newspaper the same day as this horrific article was the second attached article about China seeking to access Australia's textile markets for its manufacturers through a FTA.
110. China has a poor environmental record and if such laws are not enforced, as appears to be the case, then those companies, especially in the TCF sector, who do not have meet the stringent standards enforced in Australia will be at a competitive advantage.

D. THE REAL EXTENT OF JOB LOSSES IN THE TCF INDUSTRY

111. In part B of our submission we detail the flaws with the government modelling regarding job losses in the industry.
112. The government modelling predicts total job loss in the wearing apparel sector of approximately 14,500 but seeks to isolate 13,000 job losses from the

effect of a China FTA. To begin with, we do not believe that job losses which occur after the fact of a China FTA can be artificially quarantined in such a way to suggest that they are not somehow a result of a China FTA. The reality is that a China FTA would not just neatly sit alongside the other features of the industry. Instead, if it occurs, it will fundamentally affect the industry.

113. Secondly, we do not accept that there will be any employment gains in the textile sector. We have detailed above in Part B IV of this submission the need for a “critical mass” in the industry. We believe that in the absence of this critical mass, a situation likely to arise from the further reduction in tariffs as part of a China FTA, that there will be further loss of employment in the textile industry.

114. Thirdly, the modelling does not predict any job losses in the informal sector. We believe that there are many thousands of outworkers performing clothing manufacturing work in Australia. For many decades the TCFUA has campaigned to provide for proper employment rights and entitlements for outworkers. As a result of our campaign, there are now laws in most states of Australia which provide outworkers with equal rights to factory based workers. As the capacity for exploitative practices reduces, these jobs are equally at risk from the effects of lowered tariffs as part of a China FTA. We believe that as the informal sector is being ‘formalised’ by recent legislative reform, it is realistic that the job losses in this sector will be in the tens of thousands.