

The Clothing Industry

Why something needs to be done

In the September 2001 edition of the *IPA Review*, readers will have noted a rather 'cheeky' insert designed to attract attention to the inaugural report of the IPA's Work Reform Unit. The report '*Why has the arse fallen out of the Australian clothing manufacturing industry?*' (www.ipa.org.au) addresses a manufacturing industry in serious decline. It had \$700 million of Federal government funding attached to its restructuring, with no apparent benefit.

The companies in this industry are failing at spectacular rates. A joint venture between activist, church groups and unions are engaged in a campaign that, if successful, would complete the closure of the industry.

The main claim of the campaign is the allegation of exploitation of outworkers. Its corollary is a huge raft of regulations to counter these claims of exploitation. There are supposed to be 329,000 outworkers in an industry that employs only 83,000 people. The figures don't make sense. If there were this many outworkers, it would be one of the largest industries in the country. Allegedly, domestic clothing outworkers are being paid as low as 50c an hour with average rates of \$2 an hour. This is absurd. Try to get a baby sitter at \$2 an hour and you'd never be able to leave your house!

We went to the source. We connected with one of the Asian communities which had become vocal, claiming that the campaign against outworking was killing jobs in their

community. We employed some people from this community to assist our research. We did the hard yards, talked to outworkers, manufacturers and suppliers, obtained actual invoices and real-life data on actual hours worked for income earned. Vanthida Lao became our spokesperson because she was articulate across the issues and came from the community. No-one had done this before.

In all the noise from unions, church and community activists, industry associations, investigations by government departments and parliamentary groups, no-one had talked to the people directly affected. The debate was being conducted in an information vacuum, with clouds of swirling emotional accusations, from which the affected people were excluded.

The results were illuminating. Our investigations on pay rates show income levels at least equal to or above the minimum award rates. This is not a highly paid industry, but are outworkers being exploited? No, was the answer. Is there anecdotal evidence of security of payment under contract and other related issues? Yes, but these fall within generic problems common to most small business operators. Are the outworkers wage slaves working in their own home sweatshops? No. These are people running their own small businesses. They have ABN's, administer GST and have all the headaches of small business people. But many watch videos while they work. Most look after children while at home and many

fall into the upwardly mobile 'aspirational' class.

We purposefully excluded from our research people who did not have a legal right to work in Australia and those who were cheating on the tax and social security system. We make no comment on their situations. Our concern is with the vast bulk of legitimate small business outworkers, the way they are regulated, and their right to fair and equitable treatment in our culturally diverse society.

The real surprise was not, however, the contrary facts on the outworker issue but in the discovery of strategic anti-corporate campaigning. It is a lesson for every corporate affairs manager in Australia. If

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you want to find out the strategic assaults being conducted, or prepared, against business, read our report.

We found an anti-business campaign template being developed and applied against one industry and all those in it.



Vanthida Lao was a principal researcher for the IPA Work Reform Unit on the Clothing Industry Project. She has worked as a community development officer with the Khmer community of Victoria.

The campaign is killing the industry. It involves tight networking and coordination by an amalgamation of domestic and international unions, churches, 'community groups' and government. It takes many forms, but its core focus is strategic assaults against the brand names of key companies. *Nike* is the best known

international brand attacked. *Country Road* is one of the principal local brands attacked. Funding comes from unions, churches and 'benevolent' trust funds but the

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bulk of money comes from government. The NSW government alone has allocated in excess of \$4 million over the last 6 years to this anti-corporate campaigning within the clothing industry.

Compare this to the \$25,000

spent by the IPA on our Clothing Industry Report, and it is little wonder that anti-corporate campaigning succeeds. The activists have the field to themselves!

The crisis in selling the supremacy of market-economic approaches was voiced loudly at the recent New York World Economic Forum by the US Treasury Secretary Paul O'Neill who said, 'If you want to talk to negative people, talk to CEOs.' This summarised the general tone at the WEF expressed by commentators that capitalism has become an unmarketable concept and that corporations and their CEOs have become scared of defending the very system that sustains their existence.

We disagree. The market-based system is a great product. It delivers wealth creation and equitable wealth distribution like no system yet devised. It needs to be defended and improved. The IPA is here to do this. ■

A Rapid and Continuing Decline

**Textiles Clothing Footwear (TCF)
What has happened to the industry?**

1990-1998

Turnover

dropped 2% while rest of manufacturing increased 31%

Employment

dropped 25% while rest of manufacturing dropped 3%

Wages

dropped 5% while rest of manufacturing rose 26%

Imports

increased from \$3.5 billion to \$6.4 billion

Exports

increased to \$2.4 billion

Some brands targeted by Fair Wear

**Country Road
Adidas
Portmans
Motto
Sussans
Nike
Westco
Katies
Laura Ashley
JAG
Perri Cutten
Ojay
Anthea Crawford
Apple Apparel
Swiss Model**

How to Get to Stay

Mike Nahan was invited to talk at the general meeting of the Central Council of Women's Sections of the Liberal Party of Australia (Victorian Division) on Tuesday 5th February at The Scot's Church, Melbourne. He took this opportunity to talk about a new IPA Current Issues publication on Australia's refugee policy.

Refugee policy has become one of the most contentious social and political issues in Australia.

It dominates talk-back radio, features heavily in the opinion pages and was a central issue during the 2001 Federal Election.

The debate is also highly polarised. If we look at the opinion polls, the general public strongly favours tight controls over our refugee intake—in particular to prevent 'queue jumping'. For them, the issue appears to be one of fairness and application of the rule of law. Our 'elites', on the other hand—journalists, academics, lawyers, authors and artists—demand fewer controls, more lenient treatment and greater numbers of refugees. For them, the issue is also one of fairness and of good international citizenship.

The refugee debate is not only driving a wedge between the masses and the elites—something which augurs poorly for the quality of democracy and debate—but has



Mike Nahan speaking at the CCWS Liberal conference

descended into an exercise in name-calling and posturing.

That this has come to pass is strange. First, by any measure, Australia has a first-rate record on refugees, whether it is in terms of intake, treatment, provision of opportunity or integration. This is not surprising given that Australia

Australia's current situation

Immigration

Since 1945, almost 5.9 million people have come to Australia as new settlers.

Nearly one in four of Australia's 19 million people were born overseas, the highest by a large margin of any OECD country.

The number of settlers arriving in Australia between July 1999 and June 2000 totalled 92,272. They came from more than 150 countries.

Refugees

About 14,000 people arrive each year under humanitarian programs, the third highest intake in the world.

Australia is one of only ten countries that accept an annual quota of refugees from overseas for resettlement.

Australia is one of largest contributors (on a per capita basis) to the UNHCR.

is a nation of immigrants, with 23 per cent of the population being foreign-born (in the next most immigrant-intensive country, Canada, the foreign-born make up only 16 per cent of the population). Second, the current policy

stance has been developed in a bipartisan manner over the last few decades and, aside from sporadic complaints from a few refugee advocacy groups, has until recently been relatively non-controversial.

The situation demands a rigorous investigation. Aside from government publications, most of the received work on refugee policy starts from the entrenched perspective of the elites, namely, that the current policy stance on refugees is unfair, harsh and breaks the spirit, if not the letter, of the law.

Accordingly, in December 2000, I asked Dr Ron Brunton and Ms Tess Rod to address the issue. Specifically, their brief was to outline Australia's refugee policy, to evaluate it in terms of international treaty requirements and the received criticism of the policy (particularly with respect to its fairness and its accordance with the rule of law), and to compare it to the policies of other countries.

Further reading on Immigration and Refugee issues

The latest in the IPA Current Issues, *Who Gets to Stay?* by Tess Rod and Ron Brunton will be available in early March

As a part of its regular **FACTS** series, the IPA will also soon be publishing detailed statistics on Australia's immigration performance.

LATEST PUBLICATIONS

Why Has the Arse Fallen Out of the Clothing Manufacturing Industry?

The inaugural publication of the
IPA WORK REFORM UNIT

The Australian Textiles Clothing and Footwear (TCF) industry is under the hammer. It has all the appearances of a dying industry, with media reports of redundancies, closures and collapses seeming to occur every week. It is an industry that has been researched and reported on at length with a view to keeping it viable in an environment of declining tariffs.

The TCF industry has a future, but faces a difficult task to re-orient its ethos towards the demands of consumers. All reports indicated that this would require a major change in work culture at every level in the industry.

This report attests that the necessary changes have not happened. As a result, the clothing industry is in rapid decline and is failing to live up to its potential. Tariff cuts did reduce employment levels, but the imminent death of Australian clothing manufacturing is a result of the inability of all players to find new paths.

Available at www.ipa.org.au
Or contact IPA on 03 9600 4744

Take Away Take-Away

The Self-Induced Destruction of the Australian Food Manufacturing Industry

**IPA WORK REFORM UNIT
SPECIAL REPORT**

The Australian food-manufacturing industry is in trouble. Despite its potential, food companies are disinvesting and shifting production facilities offshore. Exports are declining. Productivity is low. The share market performance of most leading firms has been simply terrible. The industry is shedding labour. And there is evidence that the process of decline is locked in and will be difficult to reverse.

Given that the food-manufacturing sector is the main market for many agricultural products and increasingly the main vehicle for the export of commodities, a declining food-manufacturing sector augurs poorly for the rural sector as a whole. All Australians are losing.

While there are many causes, the key problem is a complacent and often destructive workplace culture that pervades the industry.

This report attempts to highlight the cultural problems facing the industry.

Available at www.ipa.org.au

WAKING UP TO DREAMTIME The Illusion of Aboriginal Self-Determination

Edited by
Dr Gary Johns

Waking Up To Dreamtime might well be called 'Aboriginal mythology'—the illusionary picture portrayed by propagandist myth-makers seeking to establish a separatist nation for Australian Aborigines. This book:

- Shows how funding of separate Aboriginal policies severely harms Aboriginal people.
- Tells why it is fashionable in intellectual circles to support Aboriginal self-determination.
- Reveals the brutalities of life in closed Aboriginal communities.
- Explains why today's policies must be stopped to let Aboriginal people choose their own life.

Waking Up To Dreamtime shows how the right way ahead for the welfare of Aborigines is not as a separatist, self-governing society, but as an identifiable and individualistic part of the wider Australian community where, already, many Aborigines have made outstanding contributions.

Distinguished contributors include Professor Tom Flanagan, Trevor Satour, Steven Etherington, Dr Stephanie Jarrett, Helen McLaughlin and Professor Ken Maddock.

Waking Up To Dreamtime is available from all good bookstores for \$19.95 (RRP).

Alternatively, copies may be ordered by e-mail from the Editor, Dr Gary Johns, for \$19.95 plus postage and packaging: gjohns@ipa.org.au

NGOs: Who do They Represent?

Gary Johns



Dr Gary Johns is a Senior Fellow with the IPA and currently heads the IPA's Non-Government Organisation Project. This project focuses on the need for greater transparency and accountability of the NGO sector.

The Smith Family was caught out recently doing what civil activists do—defining a problem, in this case poverty, in a way that keeps them in the advocacy business. The Smith Family, along with other non-government organisations, represent the charitable, the consumer, the greenie, the humanitarian. They add to the already crowded field of interest groups, such as pensioners, professionals, trade and employer unions that seek to influence public policy.

The Australian Council Of Social Services purports to represent the poor; the Australian Consumers Association—consumers; the Australian Conservation Foundation—the environment; the Australian Council for Overseas Aid—the poor overseas; Amnesty International—the world's oppressed, and so on.

These NGOs, among a host of others, consist of private activists organising for public purposes. They are a sign of a healthy civil society. That is, unless NGO interests do not coincide with our own. In politics, organised lobbies crowd out unorganised lobbies. This is not

necessarily a bad thing—NGOs, like political parties, help to aggregate and filter opinion, and in doing so, they contribute to the work of politics. But what is the basis for them to speak on behalf of the public, or at least sections of it?

Governments should not grant NGOs privileges greater than those accorded any citizen. They should not assist NGOs nor give them access to policy forums, unless they have standing. One way is to use a protocol, in this case a statement of credentials, which a government can use to establish the standing of

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an advocacy body. Those NGOs granted standing should make information available by way of a publicly accessible register. The key assumption of the protocol strategy is the primacy of democratic government and the public's right to know with whom it is dealing.

NGOs frequently serve their interests by claiming a superior mandate than that of the parliament.

For example, the ACF claims that, 'by 2050 Australia will be a civil society. There will be a high level of community engagement in deci-

sion-making processes, ... a higher level of trust ... with their decision-making institutions'. At present, nearly 200 Green NGOs receive tax-assisted donations of more than \$25 million per year. The public knows next to nothing about them.

ACOSS plays the civil society game too: 'We want the major political parties to commit to a new deal, a formal Agreement that better defines the Federal Government's relationship with the community sector'. The welfare peak lobbies, including ACOSS, receive over \$3 million a year to play this game. Something is known of the peak welfare bodies, but details are not available to the public.

ACA also plays the game. It wants all electricity consumers to be taxed to fund a consumer voice among the electricity distributors. How can this be achieved when the ACA has only 650 members? In reality, only those activists who run the NGOs are chosen.

Over 15,000 NGOs have Deductible Gift Status with the Tax Office. They may do good work, but the public knows nothing about them. For example, the CFMEU recently questioned the use to which the Wilderness Society was putting tax-assisted anti-logging funds.

The Greens, churches, human rights groups and a swag of others have made their views quite clear in the recent election; they all but suggested how to cast a vote. At the very least, where taxpayers assist these groups, or they have access to government greater than the voter, more should be known about them.

This is an edited version of a piece from The Australian on 30 January 2002.



Fairwear, Electricity Competition, Immigration and Harold Clough Lecture

IPA EXPOSES FAIRWEAR

Mike Nahan, Ken Phillips and Vantheda Lao gave evidence on homeworkers in the textile, clothing and footwear Industry to the Family and Community Development Committee of the Victorian Parliament on 11 February.

The committee is considering requests from the TCF unions and their colleagues in Fairwear—a union, church group, activist joint venture—for legislation which would convert all homeworkers into employees thereby bring them under industrial regulations and control of the unions. Their request is based on false claims [see lead article] of massive exploitation.

The IPA team presented the findings of its recent study which exposed the hollowness of these claims. It also presented the views of the industry—homeworkers, manufacturers and wholesalers—regarding the role and place of homeworkers and other contractors.

THE DANGERS OF REGULATING ELECTRICITY

When considering the complex arguments for entrepreneurial versus 'planned' electricity transmission infrastructure, Alan Moran, in his Keynote address to the 'Distribution 2001' Conference on Distribution and Transmission held in Brisbane on 12 November 2001, came down clearly on the side of competition between privately owned businesses. 'Competition is the means of promoting efficiency', he said. 'Add this to the prospect of individual gain from private enterprise and you get gains from constant vigilance of the suppliers who need to cut costs and meet shifting market demands.'

Dr Moran went on to explain that the gains from competition require that governments do not 'compete' against private enterprise with assets paid for through taxation or regulation. 'For the gains from competition to be achieved, the innovator must be confident that gov-

ernment action will not deprive him of the profits of success.'

LIBERAL CHECK ON IMMIGRATION

Mike Nahan gave an address to the annual Victorian Liberal Women's Conference at The Scot's Church Hall in Melbourne on 5 February on the topic *How to Get to Stay*. With a large range of impressive statistics, Mike made the central point that Australia had nothing to be ashamed of in its immigration policy. Indeed, on the figures, Australia has one of the most open, generous and non-discriminatory policies in the world. The audience expressed strong frustration that these facts have not become more broadly known to the public. [see page 3]

HAROLD CLOUGH LECTURE AND LUNCHEON

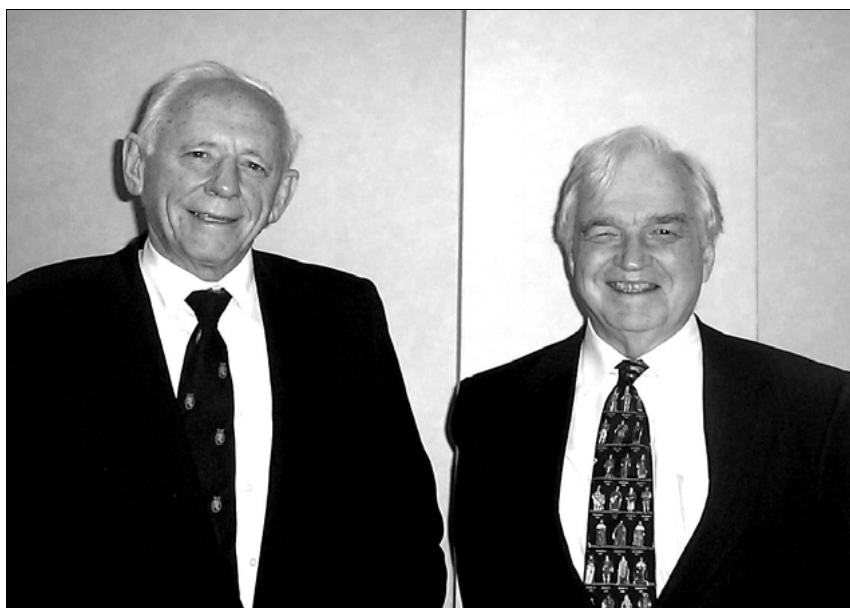
John Hyde gave the annual Harold Clough Lecture at the Western Australian Club in Perth on 24 October 2001, on the topic, *The High*

Price of Reform Fatigue: We Set Up the Economic Conditions after 2010 Today. The talk was very well attended.

Mr Hyde said that before 1983, Australian opinion and practice were well behind Europe and the US, and the Australian economy was going fairly badly, but that from 1983 into the early 1990s, we lived through unusual and exhilarating times. The Hawke and Kennett Governments and the Howard-Hewson Oppositions, putting nation before party, did momentous things to reverse the decline.

The rewards of the sound economic policy came after 'the recession we had to have' in 1991 and only then we began really to enjoy the benefits of what was done in the 1980s.

However, Mr Hyde continued, after Keating cast aside Labor's virtue to defeat Hewson and *Fightback*, the Coalition in Canberra also lost much of its enthusiasm for reform. Now there is reform fatigue and Howard is looking increasingly like Fraser. ■



John Hyde with Hal Clough at the Luncheon in Perth

Forthcoming IPA Publications

IPA Current Issues

Who Gets to Stay? Refugees, Asylum Seekers and Unauthorised Arrivals in Australia

**Tess Rod
&
Ron Brunton**

This is a discussion paper on the dilemmas inherent in the current debate about asylum seekers who have entered Australia unlawfully and the measures taken by the Australian authorities to control such entry into the country. It examines material from government documents, recent research and news stories, and seeks to clarify some of the issues and promote a more reasoned and informed approach to the debate.

IPA Backgrounder

Attack of the Mutant Watermelon

Don D'Cruz

Time Magazine has estimated that the Green Revolution and its improvements to modern agriculture saved around one billion lives. The promise of the Gene Revolution is said to be as great. Nowhere is the need for biotechnology more apparent than in Asia with its burgeoning population. In spite of this, biotechnology has been demonised by a number of NGOs in Asia.

This ground-breaking piece of research raises some serious questions about these NGOs by examining their funding sources and their conduct in the debate about GMOs by way of case studies of three countries — the Philippines, Malaysia and Indonesia.

This backgrounder traces the barely visible trails of funding from their sources in countries like America, the Netherlands, England, Sweden, Norway, Germany and even Australia to the anti-biotechnology activists in Asia. Some of the sources of this funding are bound to surprise.

It raises a fundamental question about whose interests these NGOs are serving. It thus raises serious questions about the lack of transparency in the NGO sector, the accountability of NGOs in public debate and government funding of NGOs, and issues of foreign funding.

The research in this Backgrounder has already attracted international attention.

All the latest available items on our Website www.ipa.org.au

Apart from listing our publications, the IPA website contains the many non-published speeches and submissions by IPA staff members. There are also complete, up-to-date copies of all newspaper articles published by IPA staff.

Recent submissions, speeches and on-line releases:

IPA REVIEW for September 2001 is now available online

Take Away Take-Away - IPA WORK REFORM UNIT

Why Has the Arse Fallen Out of the Clothing Manufacturing Industry? - IPA WORK REFORM UNIT

Protocols with NGOs: The Need to Know - Gary Johns

The High Price of Reform Fatigue (The Clough Lecture for 2001) - John Hyde

Littlemore Did Lie: ABC's Independent Complaints Review Panel - IPA PRESS RELEASE

InTOUCH for October is now available online



IPA Media

30.09.01 *Herald Sun* No time for Kiwi Pride [quotes Mike Nahan] **Dereck Ballantine**
4.10.01 *AFR* Union muscle chokes business to death **Alan Moran**
5.10.01 *AFR letters* Beattie's power play risks economy **Alan Moran**
6.10.01 *Courier Mail* Politics of Power **Alan Moran**
9.10.01 *ABC TV Darwin* Paul Cullen on NT economy with **Mike Nahan**
12.10.01 *SBS Radio* Peter Jackson - Election comment from **Mike Nahan**
13.10.01 *Courier Mail* Time to condemn the fanatics **Ron Brunton**
13.10.01 *Herald Sun* Latrobe chokes on Labor's Kyoto dust **Alan Moran**
16.10.01 *The Australian* Just a couple of suits talking **Don D'Cruz**
17.10.01 *The Australian* Kim's corner has talent but no killer punch **Gary Johns**
17.10.01 *The Australian* Weathering an unseasonal damp **John Hyde**
17.10.01 *Herald Sun* Outwork outrage [On IPA Workplace Reform project]
18.10.01 *Herald Sun* Union hits report. [On IPA clothing industry study]
18.10.01 *The Australian* Church and state disadvantage poorest [On IPA Workplace Reform project] **Robert Gottlieb**
22.10.01 *The Age* Too much energy going into regulation **Alan Moran**
23.10.01 *The Australian* Spending up, accountability down [On IPA/ Jim Hoggett] **Alan Wood**
25.10.01 *BRW Editorial* [PA/Gary Johns mention]
25.10.01 *BRW* Why business fears Beazley [IPA, Gary Johns and Bob Officer quotes]
27.10.01 *Courier Mail* Dealing with Indonesian Connection **Ron Brunton**
27.10.01 *Herald Sun* A frenzy of

spending **Mike Nahan**
30.10.01 *The Age* How to beat the dealers **John Hyde**
1.11.01 *ABC Radio* John Faine discusses ABC/Shier with **Mike Nahan**
1.11.01 *The Australian* That number's disconnected **Jim Hoggett**
2.11.01 *The Age* Refugee Policy: Howard is right **Ron Brunton**
2.11.01 *The Australian* Choc horror: Why a Swiss group said no [IPA] **Robert Gottlieb**
5.11.01 *Herald Sun* Don't meddle in petrol **Alan Moran**
10.11.01 *Herald Sun* Stopping the food rot **Mike Nahan**
10.11.01 *Courier Mail* Its not easy beating greens **Ron Brunton**
19.11.01 *AFR* Victoria's power prices may rise [quoting **Alan Moran**]
19.11.01 *AFR* Bracks's challenge: keep unions at bay [quotes Mike Nahan]
22.11.01 *Courier Mail* Labor reform must heed electorate **Gary Johns**
22.11.01 *The Australian* Look for strength in mainstream **Gary Johns**
23.11.01 *Radio National* Life Matters, on philanthropy with **Mike Nahan**
24.11.01 *Herald Sun* Feltex ready to quit **Mike Nahan**
1.12.01 *Weekend Australian* Fox-Lew bid 'could present wider dangers to IR reform' **Alan Moran**
3.12.01 *The Australian* Reap well what you can sew **Vanthida Lao**
3.12.01 *The Australian* Farmers caught in the blender [IPA project] **Robert Gottlieb**
3.12.01 *The Australian* At the bottom of the food chain [IPA project] **Robert Gottlieb**
4.12.01 *AFR* IPA signals food industry decline **Ben Potter**
4.12.01 *The Age* A sickness in our politics [IPA/J Hyde mention]
5.12.01 *AFR* Food plan beats the bullet [IPA report] **Mitch Hooke**

5.12.01 *The Weekly Times* Food industry in peril [IPA report mention] **David McKenzie**
6.12.01 *Pegasus Media* Interview by Wesley Turnbull with **Mike Nahan**
8.12.01 *Herald Sun* Quiet destroyer of jobs **Mike Nahan**
8.12.01 *The Australian* Plenty of food for thought. [IPA report mention] **Robert Gottlieb**
17.12.01 *The Age* Cabinet should be wary of short-term power fixes **Alan Moran**
24.12.01 *Herald Sun* Numbers in our favour **Mike Nahan**
05.01.02 *Herald Sun* Playing a risky game **Mike Nahan**
12.01.02 *AFR* A food fight on our hands [IPA project] **Lenore Taylor**
12.01.02 *Courier Mail* Food for thought [IPA project] **Fleur Anderson**
17.01.02 *BRW* Don't cry for Melbourne [IPA food study mention]
19.01.02 *Herald Sun* Marketing the outdoors **Mike Nahan**
30.01.02 *The Australian* Why champions of causes need close scrutiny **Gary Johns**
31.01.02 *AFR* Poverty is such a rich issue [IPA report mention] **John Quiggin**
2.02.02 *Herald Sun* Power to the people **Alan Moran**
5.02.02 *The Australian* Another US group pulls plug on local power [IPA information used] **Nigel Wilson** ■

in TOUCH

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