



Report

Social Return on Investment for Procurement

prepared for

Ethical Clothing Australia

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Acronyms and definitions

ECA: Ethical Clothing Australia

TCF: Textile, Clothing and Footwear

TCFIA: Textile, Clothing, Footwear and Associated Industries

SROI: Social Return on Investment

TCF Award: Textile, Clothing and Footwear Associated Industries Award

OH&S: Occupational Health and Safety

ESR: Ethical Supplier Register

PPE: Personal Protective Equipment

DGS: Department of Government Services

NES: National Employment Standards

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1. Overview

1.1 About Ethical Clothing Australia and accredited businesses

Ethical Clothing Australia (ECA) is an accreditation body for Australian textile, clothing and footwear (TCF) manufacturers, aimed at protecting and upholding the rights of Australian garment workers. The organisation operates across Australia, and collaborates with businesses in the textile, clothing and footwear (TCF) sector.

ECA's accreditation program assists textile, clothing and footwear manufacturers throughout Australia to achieve Textile, Clothing and Footwear Associated Industries Award (TCF Award) and other relevant workplace legislation compliance. They work closely with the Compliance Officers from the Textile, Clothing and Footwear (TCF) Union (the Union) who undertake the auditing work.

To be Ethical Clothing Australia accredited, a business's manufacturing operations are audited to ensure that local TCF workers are being paid appropriately, receiving all their legal entitlements and working in safe conditions.

There are currently 116 accredited businesses in Australian, and 84 in Victoria.

1.2 About this report

First Person Consulting (FPC) were commissioned by Ethical Clothing Australia (ECA) to conduct a Social Return on Investment analysis (SROI) on the social value generated for Australians when buyers choose to purchase from ECA accredited businesses. The study helps to articulate the key stakeholders who are impacted by buyer purchasing decisions, and the financial, economic and social outcomes that occur for Australians when buyers choose ECA suppliers. A particular focus of this study is to understand how the Victorian Government, as a buyer, can generate social value through its procurement policy and practices, with a view to understanding how the policy has taken affect, opportunities for enhancement and for advocating for similar schemes nationally.

1.3 The value of purchasing from ECA accredited businesses

This report demonstrates how purchasing from ECA accredited businesses offers a range of benefits for Australians. The SROI element of the report captures the benefits that directly relate to the ECA accreditation areas of ensuring employees are working in a physically safe environment, and receiving their legal wages and entitlements. The ECA accreditation offers assurance to the purchaser when buying from ECA accredited businesses and creates a value pathway that can be captured in the SROI.

In addition to the directly attributable value created through ECA accreditation, many ECA businesses also undertake their own social impact agendas. This creates additional forms of value when purchasing from these businesses.

This report shows that while buying ethically produced products tend to have a slightly higher price point, ECA accredited goods deliver a lot more in value, both in monetary and qualitative measures. The SROI on investment we demonstrate in this report applies to any consumer of ECA supplier products, not just the Victorian government.

2. Key insights

2.1 SROI summary

- **The investment:** The price premium associated with choosing to buy ethically sourced and manufactured goods (i.e. from ECA accredited manufacturers and suppliers)
- **The SROI Ratio:** Based on the data collected and desktop review as part of this SROI analysis, the social return on investment of government procuring from ECA accredited suppliers is **1.13:1**
 - **Every additional \$1 the government spends on procuring from ethical, local suppliers generates \$1.13 of social benefit.**
- **The total value of the benefits annually is \$16,480,456.**
 - **The total social value created for workers and outworkers is estimated to be \$8,310,985 between 2023-24.**
 - **61% (\$5,097,456) of this social value is generated through reduced risk of work injuries.**
 - **39% (\$3,213,529) of this social value is generated through workers and outworkers receiving their correct entitlements.**
 - **The total social value created for the Victorian Government is estimated to be \$2,841,471 between 2023-24.**
 - **The total social value created for the local TCF industry is estimated to be \$5,328,000 between 2023-24.**

Inputs	\$14.5m
Buyer expenditure (price premium)	\$14.5m
Benefits	\$16.5m
Workers	\$8.3m
Government	\$2.8m
Australian TCF industry	\$5.3m
Net Benefit	\$2.0m
SROI (ratio)	1.13

Table 1: SROI Summary

- While ECA accredited products may have a slightly higher price point, the additional social and economic value generated through ethical procurement is significant and benefits workers, government, and the broader community.
- Buying ethically and locally generates additional social value for Australians that can't otherwise be realised. ECA accreditation provides the mechanism for ensuring this value is realised.
- There are a range of additional values that procuring from ECA accredited businesses provide – these sit outside of the SROI financial model and have been described as benefits. Purchasing from ECA accredited businesses supports broader social outcomes, including increased income for the local TCF sector, improved workplace safety, reduced reliance on welfare, and positive impacts for women and migrant workers.

3. Background

3.1 Overview of the TCF sector

Globally, the TCF sector is known as underregulated and plagued by unsafe working conditions, exploitative labour practices, harassment and other workplace violations and abuses. These conditions are also prevalent in Australia, where the TCF industry is known to experience systematic exploitation, and widespread non-compliance with minimum legal standards. Numerous reports cite the prevalence of these factors, including the NSW Ethical Clothing Extended Responsibilities Scheme 2005 Report #2 (2024)¹, that found that workers and outworkers in the TCF industry face 'significant risks of modern slavery offences'.

Workers in the TCF sector are often highly vulnerable. This is especially true for outworkers, who are vulnerable to coercion, threats, and suffer three times as many injuries as factory workers². The TCF Union reports that all workers in the sector are typically low paid and dependent on the minimum safety net contained in the award and NES. However, widespread noncompliance results in vast numbers of TCF workers who do not have the benefit of the minimum safety net³.

There are approximately 21,357 workers in the TCF industry in Australia⁴. The Victorian sector employs more than 9,000 people, representing approximately 32% of Australia's total TCF manufacturing workforce.⁵ This workforce is predominately female, with 39% of workers over 55-year-old, and 49% of TCF trade workers born outside of Australia (predominately from migrant, refugee and asylum-seeking backgrounds).⁶ In Australia:

- 10% of full-time TCF workers appear to earn wages placing them on or below the poverty line
- 61% of full-time employed clothes trade workers earn under \$999 per week
- 28% of TCF workers work more than 39 hours a week⁷

3.2 Ethical Clothing Australia accreditation program

An Ethical Clothing Australia accreditation demonstrates that a manufacturer's local supply chain is compliant, ethical and transparent from design to dispatch. The accreditation certifies that local textile, clothing and footwear businesses have had 'on-the-ground' third-party checks to ensure compliance with relevant Australian workplace laws. Only products that are manufactured in Australia are eligible for accreditation.

The compliance audit includes:

¹ Modern Slavery Committee, Ethical Clothing Extended Responsibilities Scheme 2005 (NSW), 2024

² Nossar, Igor & Johnstone, Richard & Quinlan, Michael,(2003). Regulating supply-chains to address the occupational health and safety problems associated with precarious employment

³ Submission of the Textile, Clothing and Footwear Union of Australia, The Senate Education and Employment Legislation Committee Inquiry into the Fair Work Amendment (Remaining 2014 Measures) Bill 2015

⁴ Modern Slavery Committee, Ethical Clothing Extended Responsibilities Scheme 2005 (NSW), 2024

⁵ Underwood, J., Street, P., Payne, A., Carol, T., Kennedy, K., Singh, A., & McCorkill, G. *Victorian TCF Manufacturing Report: Australian Fashion Council*, 2024.

⁶ Ibid.

⁷ Boersma, M., and Wright, C. *Submission to the Parliament of New South Wales Modern Slavery Committee: Inquiry on the Ethical Clothing Extended Responsibilities Scheme*, 2024.

- Audits of both the principal business and its manufacturing complete local supply chain from design to dispatch
- Checking of all in-house employees, those in the supply chain including outworkers' wages, entitlements, superannuation and WorkCove
- A comprehensive Occupational Health and Safety (OH&S) audit across principal and supply chain members
- Where outsourcing to other suppliers or outworkers:
 - Checking that the business is registered with the Fair Work Commission's Board of Reference (BOR)
 - Checking that the required BOR reports are submitted
 - Checking the Work Records and Written Agreements with each supplier.

3.3 Ethical Supplier Register and Buying for Victoria

The Victorian Government's Procurement portal 'Buying for Victoria' includes the Ethical Supplier Register (ESR) which lists registered suppliers of locally manufactured clothing, uniforms, workwear and personal protective equipment. Registered suppliers have their local manufacturing supply chain ethically accredited by ECA or verified by an independent third party, assuring buyers that registered suppliers comply with relevant labour laws relating to wages, awards and working conditions. The ESR is predominately made up of ECA accredited businesses.⁸

The key objectives of the Ethical Supplier Register (ESR) are:

- for departments and agencies to buy uniforms and personal protective equipment from a list of small to medium enterprises with Ethical Clothing Australia accreditation or independently verified ethical local manufacturing
- to support the Victorian Government's commitment to creating and retaining local jobs in the local manufacture of uniforms and personal protective equipment
- to support ethical employment practices in the local manufacture of uniforms and personal protective equipment.

The ESR provides centralised due diligence and enables Victorian Government agencies to purchase with confidence that local jobs and ethical labour practices are supported. In the event that a government agency procured PPE or uniforms from businesses that are not on the ESR, 'the agency is responsible for mitigating risks by conducting its own due diligence of suppliers' (Government staff, interview).

TCF businesses in Victoria are particularly focused on PPE production – with 50% of TCF in the state being clothing (including uniform) manufacturing⁹. As such, there is great opportunity for the government to support local production, jobs and the economy through procurement.

Current Victorian Government Procurement

In January 2025, the ESR had 38 registered suppliers. Of the suppliers on the ESR, 79% (30 out of 38) were ECA accredited, with the remaining 8 (21%) verified through an independent third party.¹⁰ Its important to

⁸ Non-ECA businesses on the ESR manufacture non TCF products (e.g., goggles, safety hats).

⁹ Ibid

¹⁰ This is largely represented by non TCF suppliers (e.g. for hard hats for plastic goggles), and these suppliers are required to seek third party accreditation.

note that some ECA accredited businesses may also undertake offshore manufacturing or importing as a part of their business model, utilising two distinct supply chains and manufacturing processes to deliver Australian manufactured (and ECA accredited) goods while also being able to provide non-ECA supplied goods.

During the evaluation period of the 2022-2023 and 2023-2024 financial years.¹¹

During the years reviewed as part of this SROI (2021-22 and 2022-23):

- The Victorian Government awarded \$43 million across 11 disclosed uniform and PPE contracts.¹²
- Of these 11 contracts, eight were awarded to suppliers on the ESR (78%).

However it is noted by the Department of Government Services (DGS) that this may include ‘supply of imported produce by local suppliers on the register.’

The Department of Government Services (DGS) provides procurement policy advice to Government and agencies, and publishes policy and guidance for buyers and suppliers on the Buying For Victoria website. A Uniforms and PPE Monitor has been established within DGS to support implementation of The Victorian Government Guide (the Guide).

The Guide requires Victorian Government departments and agencies to buy locally and ethically manufactured uniforms and PPE, ‘wherever possible.’ ‘Wherever possible’ is defined as:

“Where the required goods are manufactured locally, meet all requirements of bid specifications, and there is a genuine market. Genuine markets are those that can be reasonably expected to deliver value for money. If the required goods can be manufactured locally but there is no genuine market, then the buyer may approach the wider market for goods that are not manufactured locally.” (Government stakeholder, interview).

The inclusion of purchasing from the ESR ‘*wherever possible*’ allows for departments to preference the price-point of offshore manufacturing over local, accredited suppliers.

¹¹ Due to the length of the contracts, some have been included in the analysis that were awarded as early as 2020- but run into the evaluation period.

¹² Goods and services procurements valued \$100,000 or more are publicly listed on the Buying for Vic Tenders website.

4. Social Return on Investment

SROI is a process that allows for the measurement of value beyond monetary value, it enables us to determine the value of the range of social, environment and other benefits generated through programs or interventions.

SROI is an internationally recognised approach, it is widely used to reduce inequality and improve wellbeing by incorporating social, environmental and economic costs and benefits decision making. It is useful to help tell the story of how change is being created. By measuring social, and economic outcomes and representing them as monetary values, SROI offers a clear and credible way to communicate impact by using a common language for discussing value. It is a form of social accounting and cost-benefit-analysis, providing a robust framework to understand, measure, and value the impact of a program. Additionally, SROI fosters accountability and transparency by engaging stakeholders in the evaluation process, ensuring that their needs and perspectives are reflected.

A SROI analysis generates a benefit to cost ratio to communicate the value-add of a program or intervention to external stakeholders. An SROI ratio of 1:1 means that for every dollar invested in a project, one dollar of benefit has been created for the project's stakeholders. A ratio of 2:1 means that two dollars of value was created for every dollar invested, and so on.

4.1 SROI Inputs (investment)

The input (or investment) into this analysis is the *price premium* paid on ethically sourced (ECA accredited) goods. This is because the consumer (Victorian Government) will choose to procure these goods from either an ECA accredited manufacturer that manufactures locally or overseas (which the accreditation does not cover) or a non-ECA accredited manufacturer that uses local and overseas manufacturers or suppliers.

While all government procurement has a range of social and economic benefits – by paying a premium for an ECA product, they are directly supporting a whole range of benefits. This SROI analysis demonstrates how these benefits outweigh the additional costs of ethical procurement. What the SROI is showing is the investment pathway and benefits of purchasing from ECA suppliers, rather than general businesses who have not invested in ensuring they are meeting ECA standards. The value of this procurement is the cost, this analysis assumes a 7% premium on the cost of goods when choosing an ECA accredited manufacturer.¹³

¹³ Deloitte Access Economics, *Ethical Clothing Australia evaluation and funding review: Evaluation Report, 2021*
ECA Social Return on Investment on Procurement

4.2 SROI Logic Model

Figure 1: SROI logic model below captures the inputs and benefits (valued and non-valued) of this SROI analysis. A full program logic model can be found in Appendix 2

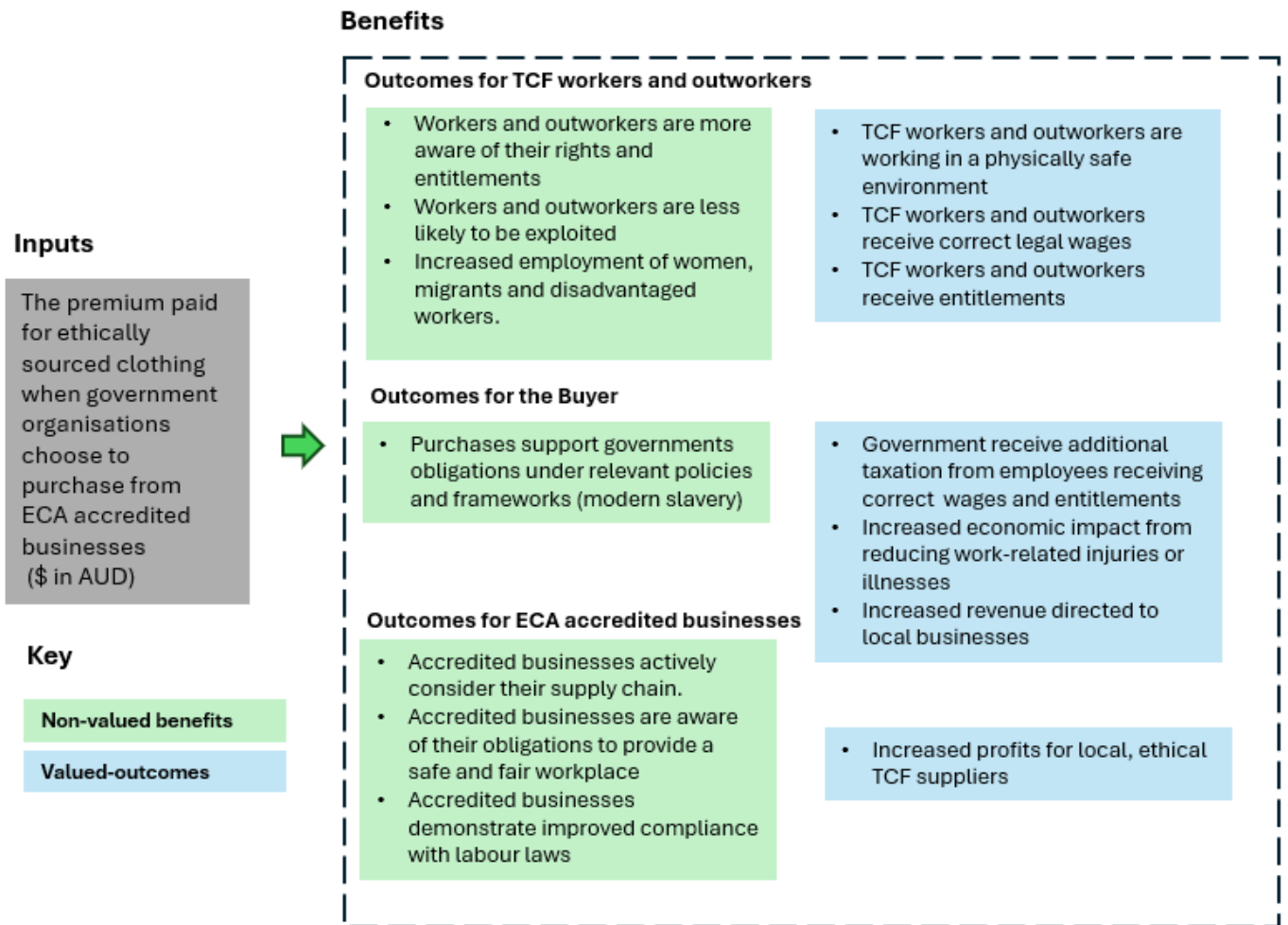


Figure 1: SROI logic model

The SROI ratio and further information can be found I section 6: The SROI ratio_

5. Project approach

This SROI analysis covers the last two years of ECA’s accreditation program and government uniform and PPE tendering. Ranging from the financial year of 2022/23 – 2023-24, it describes the social and economic value of purchasing government uniforms and PPE from ECA accredited businesses and investigates the various outcomes that come from purchasing from a local, ECA accredited manufacturer.

The research examines a range of benefits and value that come from using local, Ethical Clothing Australia accredited manufacturers for the procurement of uniforms and PPE. Where possible, the benefits were calculated with a monetary value (e.g. avoided underpayment). For many of the benefits there is no relevant financial proxy, so these have been reported based on the quantitative and qualitative data drawn from interviews and surveys of stakeholders. These benefits and how their value is articulated in Table 1 below:

Table 2: Benefits and how their value has been reported

Stakeholder	Benefit	Monetarily	Quantitatively	Qualitatively
TCF workers and outworkers	Workers receive correct entitlements	Section 7.1	Section 7.1.1	Section 7.1.1
	Workplaces are safe (reduced injury, illness and coercion)	Section 7.1	Section 7.1.1	Section 7.1.1
	Value of Social Enterprises		Section 9.2	Section 9.2
	Gender impacts			Section 8 (Case Studies)
	Migrant worker impacts			Section 8 (Case Studies)
	Modern Slavery			Section 10.4.3
Government	Additional taxation from employees receiving correct entitlements	Section 7.2	Section 7.2.1	Section 7.2.1

	Money saved through the Fair Work Ombudsman not having to recover underpayments		Section 7.2.1	Section 7.2.1
	Money saved by not requiring procurement officers to conduct their own compliance checks		Section 7.2.1	Section 7.2.1
	Decreased reliance on welfare for workers (particularly women) <i>by access to decent work</i>		Section 7.2.1	Section 7.2.1
	Ensuring money is being spent in Victoria and sustaining the TCF sector		Section 7.2.1	Section 7.2.1
Australian TCF Industry	Increased income for the local TCF industry	Section 7.3	Section 7.3	Section 7.3

Through the scoping process, FPC conducted a desktop review and program logic session with ECA to clarify the relevant activities and expected outcomes. This has enabled us to refine the scope to include benefits that may be valued via SROI and other expected outcomes that will be explored via non-monetary value research. These are listed in Appendix 3 and aligned to the original RfQ research questions.

5.1 Method

SROI is a process that allows for the measurement of value beyond monetary value, it allows us to expand our understanding of value into social equity, environment and other benefits generated through organisations. As informed by the UK Cabinet office's *A Guide to Social Investment*, the following six steps are the key elements of an SROI¹⁴:

- **Establishing scope and identifying stakeholders:** Identify clear boundaries about what the analysis will cover and who will be involved. The scope and stakeholders were collaboratively identified with FPC and ECA.
- **Mapping outcomes:** Develop a logic model or theory of change showing the relationship between the investment and the benefits generated. This process allowed for the clear articulation of how the price premium consumers pay for ethical clothing (the investment) leads to a number of social and economic benefits for Australians. During this stage, we identified which benefits would be possible to value monetarily, and which we would demonstrate value through qualitative or quantitative methods.
- **Evidencing outcomes and giving them a value:** This stage involves identifying indicators, collecting data and identifying whether expected outcomes have occurred and their value. This includes interviews with ECA accredited businesses, a review of documents provided by ECA and surveys with stakeholders and ECA accredited employees. Desktop research was used to identify benchmarking data.
- **Establishing impact:** This stage involves determining whether the outcomes we have assessed can be attributed to procurement through ECA accredited businesses. This means only claiming the value that can be directly attributed to social procurement – and to ECA accreditation - and recognising any factors contributing to these outcomes. Our model uses an 'avoided risk' approach, to demonstrate the risks the purchaser (government) would avoid by ensuring they purchase from ECA accredited businesses.
- **Calculating SROI:** Adding up the benefits and subtracting negatives, and comparisons. This was done using our SROI Impact Map tool. In short, $SROI = (\text{Social/environmental value created} / \text{Financial cost of investment or intervention}) \times 100\%$. In this case the financial *cost of the investment refers to the* purchasing of goods from an ECA accredited business.
- **Reporting, using and embedding:** Sharing the findings with stakeholders. This report serves this purpose.

¹⁴ A Guide to Social Return on Investment, UK Cabinet Office, 2012

5.2 Data collection and limitations

The data collected for this analysis consists of four main components:

- Interviews with representatives from ECA accredited businesses (n= 10)
- Interviews with ECA staff and external stakeholders (n=5)
- A short online survey shared with ECA accredited businesses (=14)
- A desktop and literature review of internal documents, relevant reports, SROI analysis and other documents (according to availability)

For the purpose of this research, the data collected was relevant to the 2022-2023 and 2023-2024 financial years.

Interviews with representatives from ECA accredited Businesses

Involving stakeholders is an essential part of any SROI analysis, for this project, FPC interviewed 10 representatives from ECA accredited businesses. These interviews informed the SROI analysis and non-monetised benefits (including the case studies), as involved participants provided both quantitative feedback (value of the accreditation process, business operations and revenue) and qualitative feedback (exploring barriers to accreditation and social outcomes).

Out of the 10 interviewed businesses, 8 were on the ESR, while 2 were ECA accredited but not on the ESR but had expressed a desire to seek accreditation and were well known by ECA staff.

Interviews with internal and external stakeholders

Interviews with key stakeholders provided essential input into the articulation of non-monetised values, providing essential insights on challenges, barriers and impacts of the ECA accreditation, however, did not inform the SROI analysis. Four interviews were conducted, 2 with ECA staff and 2 with TCF union representatives. Additionally, one written response to the interview questions was provided by the Senior Manager of Governance, Procurement, Policy and Analytics of Victorian Government Purchasing Board

A short online survey shared with ECA accredited businesses

A short online survey was distributed to ECA accredited businesses by ECA through their channels. The findings from this survey informed the SROI analysis, the survey explored perceived value of accreditation for the business, business revenue, and government contracts/tenders.

Desktop and literature review

A desktop review of relevant ECA materials and reports was undertaken to inform the SROI scoping and analysis. This included ECA records, government policies (e.g., Victorian Governments Social Procurement Framework) and other relevant reports.

A wider literature review informed the SROI analysis, this literature served to strengthen assumptions, establish benchmarks and best practice and provide accurate data on current and past Victorian Government Tenders through the Buying for Victoria tender portal.

Limitations

- Monetary values are based on assumptions, drawn from the available data. This nature of this SROI meant that values were not always available, and working with incomplete data sets is a common challenge of SROIs. FPC have drawn upon the available evidence, literature reviews and best practice economic approaches to determine figures. Footnotes are provided throughout to detail where data has been drawn from.

- The limited monetary values were emphasised by only receiving survey responses from a small number of accredited businesses. Similarly, some businesses were not willing to provide information about revenue when completing the survey or interviews.
- Overall, there is limited data on government procurement available (e.g., the percentage of contracts which are awarded to overseas suppliers, or Australian suppliers who work with overseas supply chains).

6. The SROI ratio

6.1 Investment

The investment is the **price premium** that consumers pay to shop ethically (the additional cost to buyers to purchase ethically sourced and locally made goods). This represents the incremental cost (the cost difference) between buying from an ECA business versus a non-ECA business.

To calculate the overall investment buyers have made to purchase ethically, we have multiplied the estimated annual income of all Victorian ECA accredited businesses **by a 7% price premium**.¹⁵

The investment is therefore \$14,523,364.¹⁶

6.2 Outcomes

The outcomes in this SROI are the benefits generated by choosing to purchase from an ECA accredited businesses. This SROI only captures the incremental benefits that occur when purchasing from ECA suppliers (e.g. benefits that only occur with ECA businesses when compared to non-ECA businesses).

The total value of the benefits annually is \$16,480,456.

6.3 SROI ratio

Based on the data collected and desktop review as part of this SROI, the social return on investment of government procuring from ECA accredited suppliers is **1.13**.

For every additional \$1 spent on buying from Ethical Clothing Australia businesses in Victoria generates \$1.13 of social benefit for Victorians.

This value reflects a conservative estimate, as there were a number of additional benefits that could not be monetised in the analysis.

¹⁵ Deloitte Access Economics, *Ethical Clothing Australia evaluation and funding review: Evaluation Report*, 2021.

¹⁶ The \$220 million net income of ECA accredited businesses is based on analysis of all Victorian ECA accredited business' staff employment ranges, combined with the revenue data collected in surveys and interviews from participating accredited businesses, and ATO data.

7. SROI inputs and stakeholders

7.1 Stakeholder 1: Workers and outworkers at ECA accredited businesses and their supply chains

The total social value created for workers and outworkers is estimated to be \$8,310,985 between 2023-24.

The TCF industry in Australia is widely recognised for its high rates of worker exploitation. Common issues include underpayment of wages and superannuation, insecure employment, and unsafe working conditions. Interviewed and surveyed ECA businesses reported the most significant value of ECA accreditation as ensuring ethical conditions and legal wages in the supply chain (11/19 reported 'very valuable'). Knowing staff were receiving their correct entitlements was also regarded as important, with 8/19 respondents reporting it was 'very valuable.'¹⁷

Additionally, survey and interview participants identified a range of values for workers (and outworkers) as a result of ECA accreditation. Interviewed ECA staff and accredited businesses highlighted the direct worker benefits of:

- Improved working conditions (OH&S)
- Ensuring there was no slavery conditions in the supply chain
- Ensuring award rates are being paid, and appropriate hours are being worked.

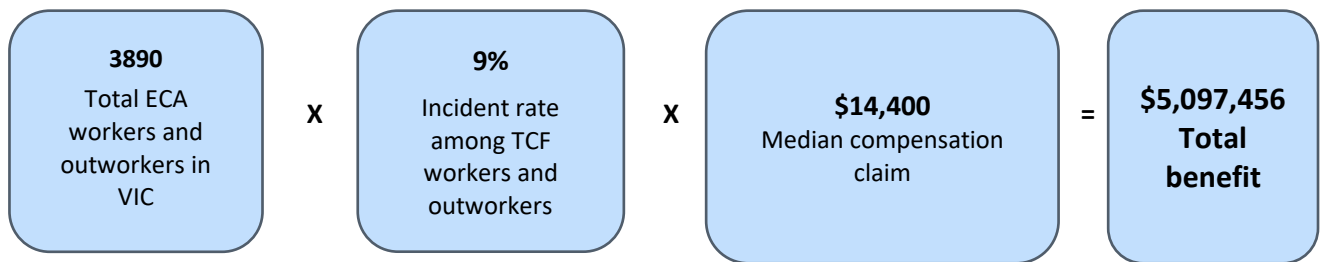
While these accreditation outcomes are legal requirements and recognised under the code – the TCF industry was described by industry staff as 'lawless.'

"Outworkers are working from their homes and there is extraordinary stress that they're put under in terms of meeting demands and orders and the level of exploitation that they could experience in those spaces. So then to understand the depth of this program [ECA accreditation] and the protections that have been hard won after decades of advocacy to go into legislation to protect these particular vulnerable workers. And not only is it in legislation, but then our program exists to ensure that those laws are actually enforced." - Industry staff interview

¹⁷ While there was a significant number of 'not at all valuable' responses, this likely reflects that these businesses were already ensuring these conditions were being met for workers. Due to ECA being an optional accreditation, businesses often approach ECA once they already feel confident about their treatment of workers. As such, ECA accredited businesses represent the best of the sector, and may not require as much assistance to bring their workplaces up to union standards.

Reduced risk of workplace injuries

61% (\$5,097,456) of this social value is generated through reduced risk of work injuries.

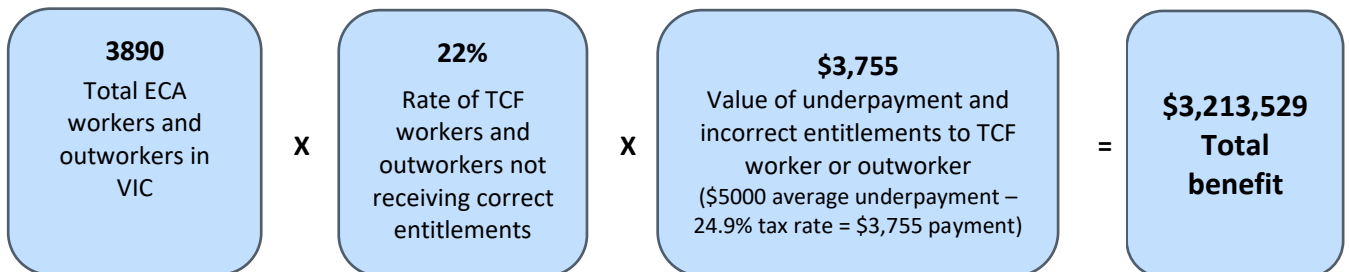


Key assumptions that inform this benefit include:

- The number of stakeholders (employees) is taken from an average number of reported employees from the interviews/surveys (29) and multiplied across the 82 ECA accredited businesses in Victoria.
- A 9% work place injury incident rate in the manufacturing sector¹⁸
- A median compensation claim of \$14, 40019

Receiving correct pay and entitlements

39% (\$3,213,529) of this social value is generated through workers and outworkers receiving their correct pay and entitlements.



Key assumptions to inform this benefit include:

- The number of stakeholders (outworkers) is taken from an average number of reported outworkers from the interviews/surveys and multiplied across the 82 ECA accredited businesses in Victoria.
- The average cost of underpayment is taken from a Fair Work Audit of 371 businesses in the TCF sector – however is likely higher, due to the lack of regulation in the outworker sector and high instances of underpayment and overwork.²⁰
- The prevalence of underpayment was assumed as 22%, as a Fair Work Audit found that only 78% of audited businesses were paying their workers correctly.²¹

¹⁸ Safe Work Australia, *Key Work Health and Safety Statistics Australia*, 2024.

¹⁹ Ibid.

²⁰ Fair Work Ombudsman, *Textile, Clothing and Footwear Compliance Campaign Report*, 2019.

²¹ Ibid.

- A 24.9% income tax rate applied to the underpayment payment value to delineated financial benefits that accrued to workers versus those that accrued to government.²²

“Through the union audit we learned that actually if one of the staff has the skills to work on the sewing machines, they should be paid have a level up.” (ECA accredited business, interview)

Recent estimates indicate that approximately 10% of full-time TCF employees in Australia earn wages at or below the poverty line²³. These challenges are even more acute for outworkers—those who work outside traditional factory settings, often from home.

Outworkers face additional vulnerabilities. Many are incorrectly classified as independent contractors rather than employees, resulting in loss of wages, entitlements and protections, they are frequently paid per piece rather than per hour as legally required, leading to unpredictable and often inadequate income. Outworkers are three times more likely to suffer work-related injuries compared to factory-based workers. Outworkers are typically un-unionised and work in isolated, “invisible” environments, making them more susceptible to threats, coercion, and regulatory neglect. These conditions have been identified as indicators of forced labour, a form of modern slavery, within the Australian TCF sector ²⁴.

ECA accreditation directly addresses these issues by requiring compliance with legal minimum wages, entitlements, and occupational health and safety (OH&S) standards for both workers and outworkers. Accredited businesses and their supply chain are audited annually to ensure fair pay, safe working conditions, and proper employment classification. This value does not include the longer-term financial impact of compounding interest of workers and outworkers being paid correct superannuation. This would result in workers accruing larger superannuation once they reach retirement age. However, this value sits outside of the SROI research period (2022-2023 and 2023-2024 financial years). This future value is not part of this SROI model but should be acknowledged as a future benefit to both the workers (higher super once at retirement age) and government (less requirement for government support).

Worker wellbeing

As a result of OH&S compliance, ECA workers and outworkers are more likely to experience more comfortable and safe working conditions. They are also more likely to feel respected and have better morale. These benefits have not been monetarily valued, but were referenced by several stakeholders during the interviews and have been captured in the quotes below.

“We needed to make sure they all have the breaks and everything was needed to have WorkSafe signs and more visibility for the system. It’s just how do we communicate it better in that process. And I think the audit was a very good learning process for us”. (Business, interview)

“Toilets in particular, amenities are a big thing that we have to deal with. So we’ve been into workplaces where toilets have been broken or there’s no toilet paper provided. Workers have to bring their own toilet paper. Know there’s holes in the walls, like it’s filthy, all of those sorts of things. As well as, you know, tea rooms non-existent or filthy”. (TCF Union staff, interview)

²² OECD, *Taxing Wages – Australia, 2024*: <https://www.oecd.org/ctp/tax-policy/taxing-wages-australia.pdf>

²³ Submission to the Inquiry into the Ethical Clothing Extended Responsibilities Scheme 2005 (NSW) by the NSW Parliament Modern Slavery Committee.

²⁴ Ibid.

“We make sure that lighting is adequate, the temperature is suitable and fit for purpose for people operating in that space. For a lot of workers that makes a huge difference”. (Industry staff interview)

*“...it helps morale too. Because, you know, if a boss cares a bit about making sure, you know, the tea rooms properly fit out and it's clean and the toilets, there's a difference. There's definitely a different feel within those factories and workers feel like they're respected.”
(Industry staff interview)*

“I remember an outworker contacted us a couple of months after we fixed work conditions, and they were so excited because it was the first time they'd ever had annual leave over Christmas and been able to spend it with friends and family. They just couldn't believe it that this was something that they could actually do and be able to still earn a proper wage and, but also be able to have some downtime to spend with their families”. (Industry staff interview)

Equity for vulnerable populations

The majority of these workers in Australia's TCF industry are women from non-English speaking migrant backgrounds, a group that is particularly vulnerable to exploitation. The benefits to workers and outworkers were seen by ECA as especially significant due to the demographic makeup of the sector, which is predominately older women from migrant backgrounds.

7.2 Stakeholder 2: Local TCF industry

The total social value created for the local TCF industry is estimated to be \$5,328,000 between 2023-24.

Through choosing to purchase from ECA accredited businesses, buyers are supporting the local TCF industry, and helping support local jobs and communities.

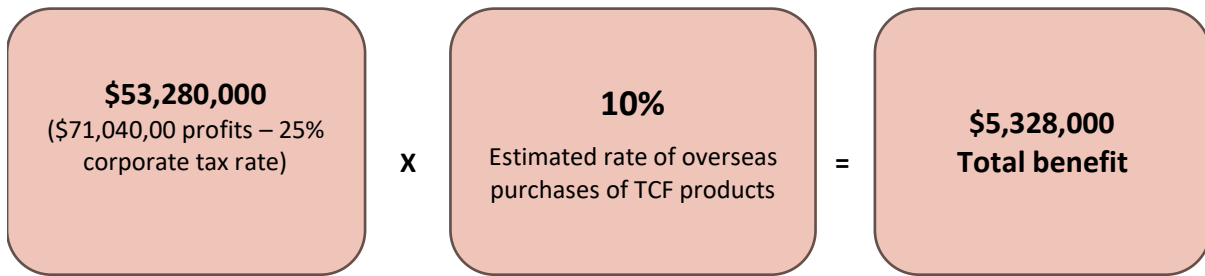
Less than 5% of Australian garments are fully manufactured in Australia²⁵. However, there is capacity to increase this, particularly in relation to PPE and uniforms in Victoria. Victoria has 32% of TCF in the country, and 50% of that is producing PPE and uniforms. Over the past three decades, TCF manufacturing has declined 1.5%. A recent report recommends that TCF manufacturing should be identified as a priority sector in the Made in Victoria 2030 policy, as a way to ensure money is invested into the local economy and the Victorian TCF sector²⁶

“With the decline of manufacturing in Victoria... that push for local make has kept people employed. And we've been able to retain a lot of that work and keep actual vendors in business: and had that rule not applied, I'm pretty certain that would have meant no work being done here in Australia.” (Business, interview)

“I would suggest that being able to secure procurement for a five year contract allows them to invest in more machinery and more people” (ECA staff, interview)

²⁵ Underwood, J., Street, P., Payne, A., Carol, T., Kennedy, K., Singh, A., & McCorkill, G. *Victorian TCG Manufacturing Report: Australian Fashion Council*, 2024.

²⁶ *ibid*



Key assumptions include:

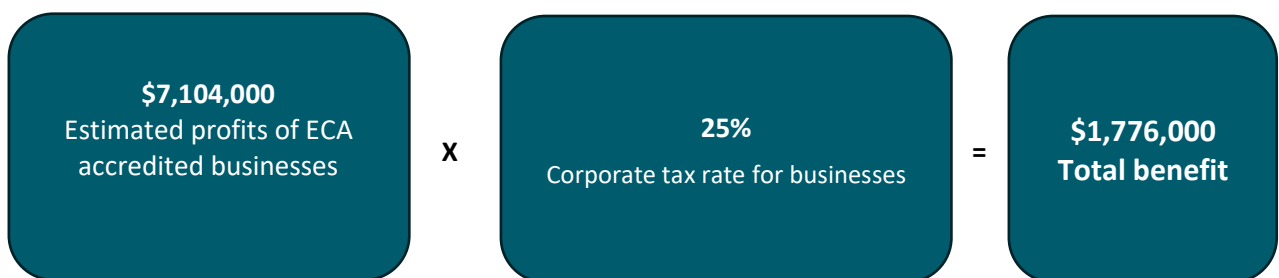
- \$220 million income of ECA accredited businesses is based on analysis of all Victorian ECA accredited business’ staff employment ranges, combined with the revenue data collected in surveys and interviews from participating accredited businesses, and ATO data.
- The net profit margin of TCF businesses is 32%²⁷
- The 10% is an estimated rate of purchases that go outside of Victoria, rather than back into the Victorian industry.²⁸

7.3 Stakeholder 3: State and Federal Government

The total social value created for the Victorian Government is estimated to be \$2,841,471 between 2023-24.

The Australian Taxation Office taxes employees’ wages and businesses assessable income. As a result of the ECA workers receiving their correct pay and entitlements, and Victorian businesses increase in income, there is additional taxation that would result. Additional taxation provides the funds for community services, such as health care, education, infrastructure, defence. Ultimately, this benefits all Australians.

Taxation relating to Victorian businesses increased in assessable income



- The \$7, 104, 000 estimated profits is based on the analysis of all Victorian ECA accredited business’ staff employment ranges combined with the revenue data collected in surveys and interviews from participating accredited businesses and ATO data, the net profit margin of TCF businesses of 32%

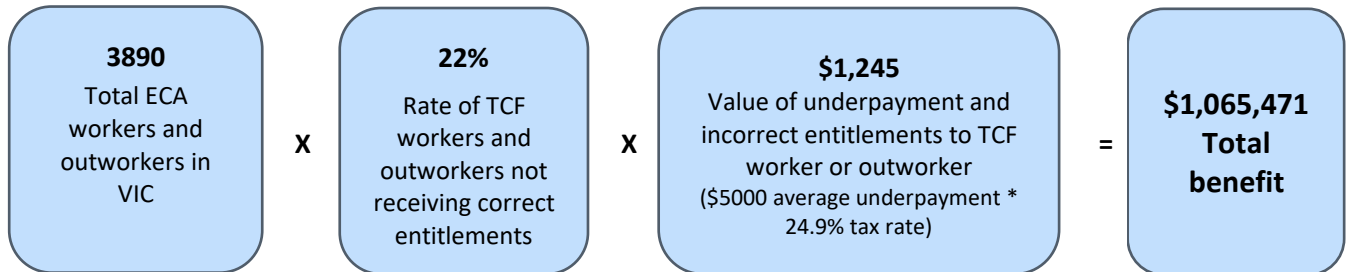
²⁷ ATO Taxation Statistics, 2021-2022.

²⁸ There are no available figures on the % of procurement contracts which are awarded to overseas suppliers (or local suppliers who sub-contract to overseas suppliers). However, based on interviews with ECA accredited businesses, this was reported as a significant concern. We have conservatively estimated that 10% of procurement may go to non-Victorian businesses.

(6). (10% of \$71,040,000, as an estimated rate of the lost profit margin that goes outside of Victoria)

- A 24.9% income tax rate is then applied to the estimated increased profits of the TCF Industry.

Taxation relating to workers receiving correct pay and entitlements



Key assumptions include:

- The number of stakeholders (workers and outworkers) is taken from an average number of reported workers and outworkers from the interviews/surveys and multiplied across the 82 ECA accredited businesses in Victoria.
- The average cost of underpayment is taken from a Fair Work Audit of 371 businesses – however is likely higher, due to the lack of regulation in the outworker sector and high instances of underpayment and overwork.²⁹
- The prevalence of underpayment was assumed as 22%, as a Fair Work Audit found that only 78% of audited businesses were paying their workers correctly and ensuring they received correct entitlements.³⁰
- A 24.9% income tax rate applied to the underpayment payment value³¹

7.3.1 Insights on value of ECA for government/taxpayers

ECA staff reflected on the value for the Victorian Government that ECA accreditation offered, in relation to the Ethical Supplier Register and procurement on uniforms and PPE.

This value was identified as:

- Cost savings in not having to undertake their own compliance checks
- Local job creation and investment into the Victoria economy
- Significant risk reduction for government in procuring from businesses who are not ensuring all workers in their supply chain are being paid and receiving their entitlements according to the TCFAI Award and in safe working conditions.

Table 3: Value for government/taxpayers

Value theme	Supporting evidence
Cost savings	<ul style="list-style-type: none"> • <i>It's a cost saving for them in terms of they don't have to use their own compliance officers to investigate this particular industry. Their procurement officers don't need to do the additional due diligence that's required because the certification proves what they need to prove (ECA staff, interview)</i>

²⁹ Fair Work Ombudsman, *Textile, Clothing and Footwear Compliance Campaign Report*, 2019.

³⁰ Ibid.

³¹ OECD, *Taxing Wages – Australia, 2024*: <https://www.oecd.org/ctp/tax-policy/taxing-wages-australia.pdf>

Local jobs	<ul style="list-style-type: none"> ...the procurement policy has come out of the jobs first policy. So it is about creation of not just jobs, but good jobs and, you know, every investment back into the economy (ECA staff, interview)
Risk reduction	<ul style="list-style-type: none"> It's safety net, absolutely. Government can procure uniforms and PPE through companies that are ECA accredited, knowing that there's no risk at all. And because, especially now with all the labour rights and anti-slavery, things coming to light - which does happen in Australia as well - they are at huge risk of if something's found and exposed, then that wouldn't be good for the government. So the benefit is really supply chain transparency. It's making sure that if they're procuring in that space, that they can confidently know that there's no risk. (ECA staff, interview) ...instead of having multiple different compliance audits that they have to look after, it's one standardised audit and it goes by the Australian law. So I think it really simplifies it for them, and they know that if it's ECA approved then it's good to go (ECA staff, interview)

7.3.2 Other government benefits

Table 4: Other government/taxpayer benefits

Government/taxpayer benefit	Evidence of value
Money saved through the Fair Work Ombudsman not having to recover underpayments	Fair Work Inspectors audited 371 businesses in the sector and found only 52% were compliant with all their workplace relations requirements. There are no available figures of the cost to government for the audits, or the work undertaken to recover wages on non-compliant businesses.
Money saved by not requiring procurement officers to conduct their own compliance checks	In the event the government awards a contract to a business that is not on the ESR, there is a wage cost associated with a staff member's time in conducting their compliance checks on the business to ensure they are not breaching any regulations around work safety and appropriate wages and conditions. There is no figure available for this value.
Decreased reliance on welfare for workers (particularly women) by access to decent work	An economic evaluation undertaken by Deloitte found that the long-term benefit of an unemployed woman obtaining employment and ceasing a Newstart allowance is \$3,281. Similarly, a SisterWorks SROI found that the value of migrant women gaining employment in Australia was worth \$2.3 million (for the calendar year of 2022). These figures are not directly transferable to the ECA and ESR case study but demonstrate the inherent value of providing decent work and correct award wages to women in the sector. ³²

³² SVA Consulting, *SisterWorks 2022 Social Return on Investment*, and Deloitte Access Economics, *Social Return on Investment: A Case Study Approach*, McAuley Community Services for Women, 2019.

7.4 Stakeholder 4: Social impact beneficiaries

Some ECA accredited businesses undertake social impact activities, including establishing social enterprises and initiatives, employing disadvantaged and marginalised workforces, undertaking circular economy activities and supporting partner organisations to generate impact. By purchasing through ECA accredited suppliers, buyers are also supporting the aims of those businesses' broader social impact work.

While ECA accreditation areas do not include any social enterprise aspects, there is a high proportion of ECA accredited businesses that are also social enterprises. Examples of the impacts of these enterprises are included in the table below.

Table 5: Social enterprise values

Value	Supporting evidence
Reinvesting back into the communities they are serving	<ul style="list-style-type: none"> • <i>As an Aboriginal business and social enterprise, we reinvest back into all of our Campaign work and employment. All of our retail teams are mob, young first nations people. For us, it's about being able to ensure that we're resourcing every single piece of merch that we make with education and conversation starters that can see social change happen in the world. (Business, interview)</i>
Creating paid training pathways and formal accreditation/certificates	<ul style="list-style-type: none"> • <i>We've always been employment based. The team have never been volunteers, so they've already always been paid an ethical wage as soon as they come on board and even while they've been doing their training. (Business, interview)</i> • <i>We offer free education and training to people from refugee and migrant backgrounds across clothing, textiles and the creative arts. We offer a Cert 3 program in garment construction. We hire into our manufacturing team both through kind of paid traineeships as well as staff positions. (Business, interview)</i>
Job pathways for specific communities who face barriers to employment (e.g., First Nations young people, women from refugee and migrant backgrounds, people living with disability)	<ul style="list-style-type: none"> • <i>We have our own obligation to have one person with a disability as part of the organization – that should be the norm. There is a responsibility. That means nothing for tenders, but you do it because you should. (Business, interview)</i> • <i>We employ disadvantaged people. We employ people with disability or learning issues. We work with those agencies that help people that have come in as refugees and help them to get jobs. (Business, interview)</i>
Increased confidence and wellbeing for workers	<ul style="list-style-type: none"> • <i>We get very strong data and feedback on is a sense of kind of connection and belonging, very strong senses of feeling part of a community which is kind of long term about social cohesion and greater senses of confidence in themselves and ability to reach their goals. (Business, interview)</i>

8. Case Studies

The Social Studio

Establishing an Ethical and Inclusive Social Enterprise

The Social Studio, based in Melbourne's Collingwood Yards, has been accredited by Ethical Clothing Australia (ECA) for 12 years. The Social Studio combines fashion, education, and employment to support refugees and migrants. The enterprise offers free training programs, paid employment opportunities, and a retail platform that showcases high-quality clothing, accessories, and textile homewares.

Since its establishment, The Social Studio has supported over 780 students from refugee and migrant backgrounds through accredited training programs in partnership with TAFE and RMIT University. With a 96% retention rate and 89% of graduates transitioning into ongoing employment or further education, the enterprise has had demonstrated impacts on the lives of its participants.

The Social Studio currently employs one full-time staff member, four part-time employees, and one casual worker. The studio also champions sustainability by using upcycled fabric, diverting over 20 tonnes of textile waste from landfill since 2009.

The Value of ECA Accreditation to The Social Studio

ECA accreditation has been instrumental in shaping The Social Studio's operations and reputation. As CEO Dewi Cooke explains:

As a social enterprise or socially minded not-for-profit, anything that bolsters the ethical framework of what we do is important because we're working with community members from culturally and racially marginalised groups. Ensuring that we model best practice in terms of wages and conditions was a no-brainer.

The accreditation process provides an external review mechanism to ensure compliance with fair wages and safe working conditions.

It was helpful for us to know. It was educational and now that's something I know with all my contracts going forward.

While The Social Studio has not yet secured government tenders through the Ethical Supply Register (ESR), being listed on the register has opened doors to new opportunities.

Social Value of the Enterprise

The Social Studio's impact extends far beyond employment, creating lasting social connections and fostering confidence among its participants:

We get very strong data and feedback on participants feeling connected and part of a community. This leads to greater social cohesion and increased confidence in their ability to reach their goals.

The studio also supports other social enterprises by providing start-up advice to organizations like Kontiki Fashions (Melbourne), No Sweat Fashions (Canberra), and The Global Studio (Latrobe Valley). They have helped incubate similar initiatives such as The Social Outfit (Sydney) and Twitch Women's Sewing Cooperative (Dandenong).

Environmental Commitment

Sustainability is part of The Social Studio's operations, they use upcycled fabrics that would otherwise go to landfill, they have saved more than 20 tonnes of textile waste since their inception.

The Social Studio exemplifies how ethical manufacturing can drive meaningful social change while promoting sustainability. Their long-standing ECA accreditation ensures fair wages and safe working conditions while enhancing their reputation as a trusted ethical brand. Through education, employment, community building, and environmental stewardship, The Social Studio continues to empower marginalized communities while modelling best practices for socially minded enterprises across Australia.

Assembled Threads

Establishing a multi-faceted social enterprise

Assembled Threads was established in 2021 as a social enterprise, working with people who faced long-term unemployment by providing training and employment in garment manufacturing. Assembled Threads employees are paid an ethical wage to sustainably produce uniforms and PPE, predominately in high vis. The business's tag line is: Making real world issues highly visible.'

Since 2021, Assembled Threads have supported 40 participants to gain qualifications, skills and capabilities, in partnership with the training group Holmesglen Tafe. 90% of their workforce are female, and largely from migrant and refugee communities. 50% of the team are aged 50 years and older. As such, the makeup of the Assembled Threads is reflected of broader age, gender and CALD demographics in the TCF sector.

We employ priority workers, long term unemployed and train them in garment manufacturing, with paid training. We've always been employment based. The team have never been volunteers, so they've already always been paid an ethical wage as soon as they come on board and even while they've been doing their training.

Workers at Assembled Threads have been paid \$621,525 in wages since the business started. This includes 14,819 paid training hours and 18384 skilled employment hours, with 29 certificates and 8 apprenticeships awarded. Additionally, Assembled Threads has produced over 22,000 products, successfully recycling 964 kg of textile waste. This also includes 644 returned uniforms, of which 165 have been upcycled in a recently launched uniform circularity service.

The value of ECA accreditation to Assembled Threads

Assembled Threads sought out ECA accreditation as they were establishing the business. One staff member explained the impact of this on staff,

It had a big impact on ensuring staff are paid appropriately and receiving entitlement – as well as superannuation

This was also reflected on in relation to the knowledge of workers to assert their rights:

Employees have been empowered with more knowledge of their rights under the award.

For Assembled Threads, knowing their business was working with other ethical suppliers was significant. In addition, having their own supply chain accredited, they have worked with other ECA accredited businesses when working with suppliers.

Already concerned about the supply chain in setting up the business but now have the ECA audit to confirm this. We used the register to work with another accredited business for suppliers – including the branding for their product. Felt confident going with another business on the ESR, to they knew the supply chain had been audited and approved.

Social value of the social enterprise

In addition to ensuring safe, comfortable working conditions and an appropriate living wage for staff, Assembled Threads see the social and wellbeing impact of their work in the lives of workers. As a result of working at Assembled Threads, staff have been able to purchase their first homes.

One staff member came to us after having only been in the country for a couple of months with no English, she's just bought her first home. Three of our team have gone on to purchase houses and they've come by as refugees.

The workplace has also offered a social network, with evident mental health benefits.

And yeah, we found that some of our team have left for personal reasons and then within months they've asked to come back because they just miss everyone and they feel very isolated at home. So the mental health outcomes are probably the biggest thing that I underestimated for people.

Even once employees have left Assembled Threads, there is a strong sense of connection and community.

We have probably every quarter we'll do a lunch where we all get together and sit down and eat lunch together and people who have left and moved miles away will come back just to catch up with everyone and see them.

Assembled Threads have been awarded a number of awards, including Social Traders Game Changers & Trail Blazer awards which recognise the great example of their partnership with ICON Construction and employing priority workers and reigniting the local manufacturing industry. They also won the Victorian Hall of Fame manufacturing award for small business in 2024 creating a credible manufacturing operation focused on social impact outcomes.

Environmental impacts

In addition to the social and wellbeing benefits that have emerged from the Assembled Threads model, the business is also committed to positive environmental outcomes. Assembled Threads received a Circular Economy Communities Fund grant from the Victorian Government through Sustainability Victoria for the Towards Circular High Visibility Apparel project to research the most appropriate and viable options to recycle high visibility (hi-vis) vests, a key component of workwear for construction and other industries. In 2023 Assembled Threads won the Premier's Recognition Award and the Community Champion Award at the Premier's Sustainability Awards.

9. Additional Insights

9.1 Barriers to being awarded government contracts

Feedback from interviewed ECA businesses identified a range of limitations and barriers in procuring government contracts for uniforms and PPE.

Businesses reported four key themes:

- A perceived lack of transparency in how tenders were weighted to ensure local jobs were a valued outcome.
- Sentiment that government contracts were going to big businesses who collaborated with smaller providers for PPE and uniforms who are not in the ERS.
- Paying local workers their legally required award rates meant suppliers were not able to compete with international supplier prices.
- ECA businesses wanting government contracts, but not being able to rapidly expand production.

Table 6: Barriers to being awarded government contracts

Interview theme	Supporting evidence/quotes
<p>A lack of transparency in how contributing to local jobs was weighted in the procurement criteria for awarding contract</p>	<ul style="list-style-type: none"> • <i>The requirement is that we're ethically accredited, without any weighting for it. I think that kind of speaks for itself. If the accreditation was really helping drive local manufacturing, you'd probably see that as a requirement. Or maybe not even a requirement, but giving some sort of bonus for it. (Business, interview)</i> • <i>There's a lot of talk around how much they care about local manufacturing and providing jobs to their own citizenry, but it doesn't translate down to the procurement folks. (Business, interview)</i> • <i>There's an RFQ out at the moment for some stuff that's right up our alley. There's no local Jobs first policy or no mention of ethical procurement or anything in it. I even asked the question specifically, 'Does the local Jobs first policy apply?' And they said no. So there's no benefit in it being locally made. (Business, interview)</i> • <i>There was a tender briefing meeting and the procurement person got up and said 'we love locally made but it has zero weighting, so give us your lowest price.' (Business, interview)</i>
<p>Sentiment that government contracts were going to big businesses who collaborated with smaller providers for PPE and uniforms who are not in the ESR</p>	<ul style="list-style-type: none"> • <i>My understanding is you have to have Ethical clothing accreditation to apply for their contracts and tenders. But then we do see contractors on government program. The contractors don't have that requirement so there'll be contractors working on behalf of the government on large scale projects who aren't using accredited suppliers. (Business, interview)</i>

<p>Paying local workers their legally required award rates meant suppliers were not able to compete with international supplier prices.</p>	<ul style="list-style-type: none"> • <i>We price contracts being made locally and we found out we didn't get them because we weren't the cheapest and then they'd gone overseas. Governments talk about having locally made, but they need to be prepared to pay for it. Wages are higher here....(Business, interview)</i> • <i>I guess the budgets that government have to work not having the ability to kind of pay what it costs to manufacture locally compared to what they might be used to being paid what they might be used to paying for imported goods. Or for stuff that is basically imported but just rebadged in Australia is local. (Business, interview)</i>
<p>Wanting to apply for government contracts, but not being able to rapidly expand production</p>	<ul style="list-style-type: none"> • <i>I think some of the barriers for us around going into the procurement piece more seriously is that the orders are either enormous and they want them in four weeks and then never again. (Business, interview)</i> • <i>We've done like one government tender which was a federal one. We haven't done much in the way of locals just because the sort of requirements are a bit beyond us because we're not a factory and we can't easily ramp up and ramp down. (Business, interview)</i>

Recent research from the found that there are ineffective procurement policies in Victoria that are difficult and lack incentives³³.

They advocate for a stronger focus on local procurement to help support the sector:

Any increase in the procurement of locally-produced uniforms and workwear by the Government would provide significant economic and social value to our sector, and people working along the TCF supply chain. Long-term government contracts provide certainty for TCF businesses, which help to de-risk investments in new plant and equipment, create long-term employment opportunities with confidence, and retain a skilled workforce.³⁴

Overall, there was a strong desire for government contracts, and a more accessible and transparent pathway to securing PPE and Uniform contracts for government agencies.

Anything they can do to help drive preference for locally made stuff would be fantastic. (Business, interview)

We sell into Japan, Hong Kong, Israel, Singapore – it is easier to sell into Japan than to get a government contract in Victoria. (Business, interview)

Across the interviewed and surveyed ECA businesses, only seven had applied for Victorian Government PPE and Uniform contracts. These seven businesses applied for a total of 28 tenders, of which 14 resulted in successful contracts. For 65% of businesses interviewed, government contracts accounted for between 10-24% of their income (in the two financial years of 2022-23 and 2023-34).

³³ Underwood, J., Street, P., Payne, A., Carol, T., Kennedy, K., Singh, A., & McCorkill, G. *Victorian TCG Manufacturing Report: Australian Fashion Council*, 2024.

³⁴ Ibid

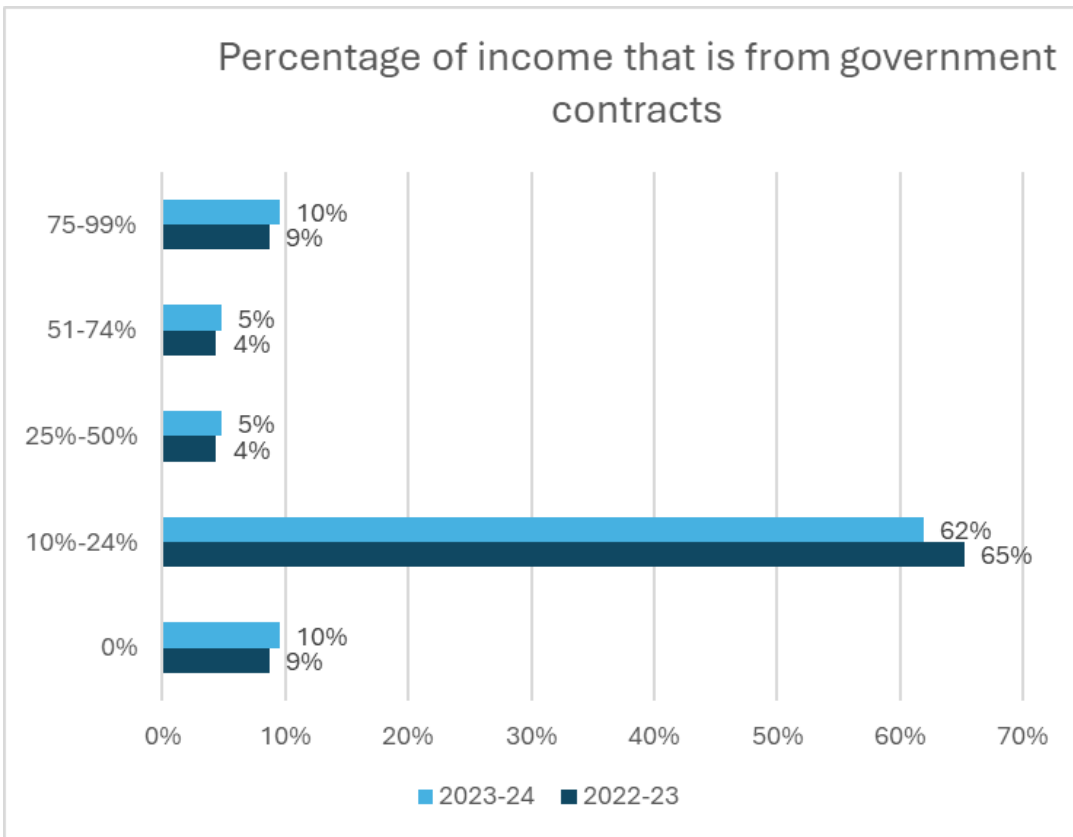


Figure 2: Percentage of income from government contracts (n=23 for 2022-23 data, and n=21 for 2023-24).

The two vignettes below highlight the national barriers that ECA businesses face in gaining PPE and Uniform contracts, despite the presence of Ethical Supplier Registers and local job policies.

“There is an interstate uniform tender at the moment. There's no way we would tender for something like that. But there's a few items on the tender that we could deliver, like a leather belt, wallet and a few bits and pieces like that. And we have a good relationship with the incumbent and are trying to put forth some of our locally made stuff to them. And their comment was: we can get it imported for half the price. And at the end of the day the agency care more about the price. Price will win out. So the incumbent is not going to put our stuff forward for it. That is really challenging, but they know what their customer wants. And the customer wants price, not locally made. There's a lot of talk about how much they are about local manufacturing and providing jobs to their own citizens, but it doesn't translate down to the procurement folks” (ECA accredited business, interview)

“What we're seeing is corporate business go for big government tenders and ask a social enterprise to support them in one element of the contract. We were named as a subcontractor in a very large contract, and it was a massive amount of money to be delivered in the first five years for a specific project. And as soon as the tender was awarded, the contractor cut the contract down to zero value. They had used our brand awareness and won because of this massive social procurement package and then walked away from it. We had started scaling up staff casually because we knew that we were going to have to hit the ground running on this project, and then we had to put those people off. It's just social washing.” (ECA accredited business, interview)

Two businesses suggested that in addition to prioritising local procurement, the government could **work more closely with the sector to understand the challenges of the sector.**

“I think they have to understand the challenges of the manufacturing industry so that they know how to place their orders best.... for them to understand what would work that would actually make a procurement opportunity really attractive and realistic to deliver on onshore.”

Business interview

9.2 Insights of value for ECA businesses

Businesses valued ECA accreditation for the stamp of authenticity and value the ECA brand conveyed to both retail customers and contractors. Interviewed businesses reported a range of key values of accreditation, detailed in Table 5.

Table 7: Values of ECA accreditation for businesses

Theme/Value	Supporting evidence/quotes
Gaining government work	<ul style="list-style-type: none"> • <i>The main reason was that we need to be an ethical supplier. We were also able to be an ethical supplier and got the tender submissions and everything. So that was helpful for us and still it is helpful for us to assist in getting government work (Business, interview)</i>
Credibility/values alignment	<ul style="list-style-type: none"> • <i>When they first started I thought it was a good idea – local manufacturers have an opportunity to have their product checked out and authenticity is important (Business, interview)</i> • <i>We have definitely had approaches for people because we are on the ethical business register, which presumably we wouldn't be able to do without at least one of our accreditations. (Business, interview)</i> • <i>it was really to give us more, I would say credibility into our business, especially having this accreditation to be known from other from the outside (Business, interview)</i>

	<ul style="list-style-type: none"> • <i>It's a massive thing for us because we wear it as a badge of honour (Business, interview)</i> • <i>I would say it has given us more visibility – more clients are more happily inclined to work with us (Business, interview)</i>
Supply chain transparency	<ul style="list-style-type: none"> • <i>To verify the local supply chain, I'd say it is valuable, and it has saved us money from that perspective, because I would be concerned about being able to validate that supply chain (Business, interview)</i> • <i>Having ECA accreditation is a really great check for them in terms of risk mitigation (ECA staff, interview)</i> • <i>the supply chain because there would be some dodgy operators out there and especially if you look at the demographics of who are working in those subcontractors as well. They're you know the migrant population. They're at greater risk of exploitation. (Business, interview)</i>
Protecting worker rights	<ul style="list-style-type: none"> • <i>For me, the ECA is really important for being able vouch that workers are getting checked, they're getting paid properly, they're in safe conditions, they've got the ability to join the union, all those things that, you know, that they want to manage around Modern Slavery (Business, interview)</i> • <i>Peace of mind that we have done the right thing (Business, interview)</i>
Network of other ethical suppliers	<ul style="list-style-type: none"> • <i>We used the register to work with another accredited business for suppliers – including the branding for their product. Felt confident going with another business on the ESR, to they knew the supply chain had been audited and approved. (Business, interview)</i>
Affordable accreditation	<ul style="list-style-type: none"> • <i>If you look at some of the costs of some of these other accreditations in our industry as well as other industries, it's tens of thousands of dollars. And, and then they've got to do the work. So for us the fees really, really low. The cost for us to do the compliance is really, really low. (Business, interview)</i>
Used ECA accreditation to gain other approvals overseas	<ul style="list-style-type: none"> • <i>Most of the information that we have been through with ECA, we have been able to use to get SEDEX. The pre-qualification step was done, through the ECA audit. So it's really helped us getting us prepared for big stuff. (Business, interview)</i>

Overall, survey and interview participants viewed ECA accreditation as improving business outcomes in terms of:

- Increased knowledge of labor laws and TCF requirements (14 /19 reported an improvement)
- Increased knowledge about the supply chain (13/19)
- Ensuring staff are paid appropriately and receive correct entitlements (10/19)

Only 2/19 respondents felt that the ECA accreditation ‘Significantly improves’ their ability to secure government contracts, 4 felt it improved the ability to secure contracts ‘moderately’ and 4 ‘slightly agreed’, while 7 reported it was ‘not at all’ impactful.³⁵

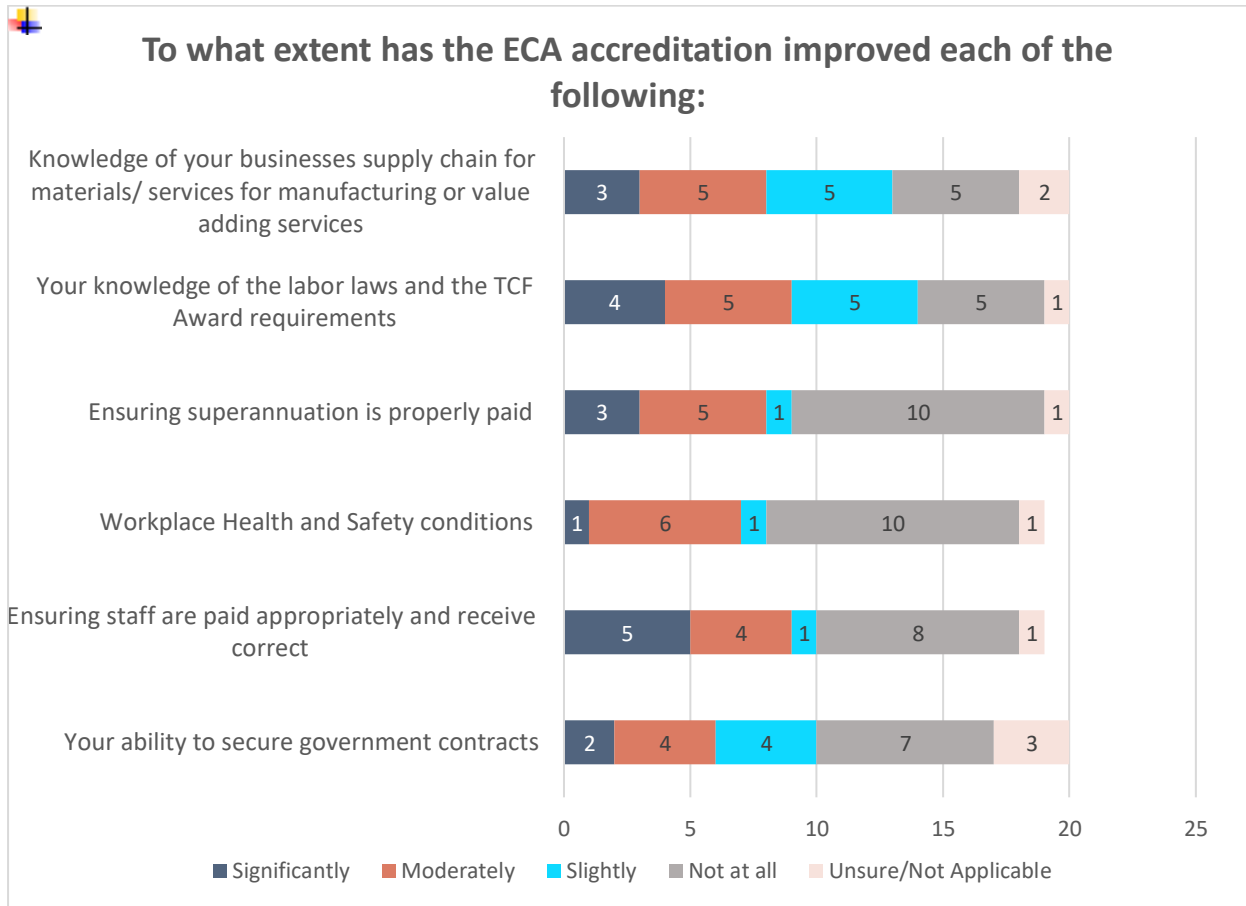


Figure 4: ECA accreditation impacts on business outcomes

³⁵ Participants included businesses who were not the ERS, or had not applied for any government contracts.

Interviewed and surveyed businesses had more varied responses in relation to the direct financial outcomes of ECA accreditation. The most significant element reported was economic growth/businesses sustainability (16/21), followed by being eligible for government contracts (13/19).³⁶

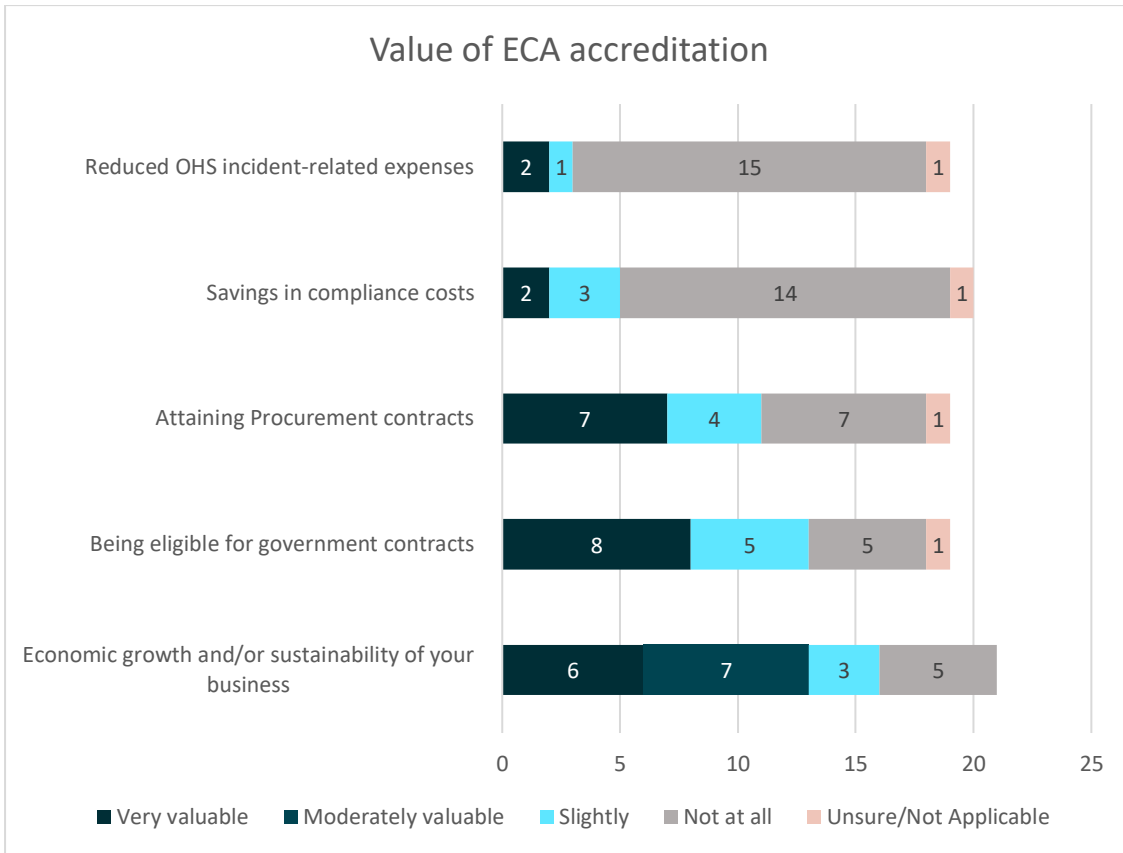


Figure 5: Economic value of ECA accreditation for businesses

³⁶ In interviews, respondents highlighted that while they may not have received government contracts, they say being eligible for them as valuable.

Appendix 1 SROI formula and data sources

TCF workers and outworkers

Benefit description	Stakeholder group	# of stakeholders	% of avoided risk	Value of benefit per stakeholder	Total value of benefit
TCF workers and outworkers receive their correct pay and entitlements	Employees, directly employed outworkers and outworkers in the supply chain	3890 workers and outworkers in ECA accredited businesses	22% rate of underpayment	\$3,755 ³⁷ value/benefit of underpayment	\$3,213,529

- A 24.9% income tax rate applied to the underpayment payment value³⁸ (\$5000 – 24.9%=3755)
- The average cost of underpayment (\$5000) and rate of underpayment (22%) is taken from a Fair Work Audit of 371 businesses – however is likely higher, due to the lack of regulation in the outworker sector and high instances of underpayment and overwork. The Fair work ombudsman found that 78% of TCF businesses pay their employees correctly.³⁹
- The number of employees is taken from an average number of reported employees from the interviews/surveys (29) and multiplied across the 82 ECA accredited businesses in Victoria (weighted average).

³⁷ Fair Work Ombudsman, *Textile, Clothing and Footwear Compliance Campaign Report*, 2019

³⁸ OECD, *Taxing Wages – Australia, 2024*: <https://www.oecd.org/ctp/tax-policy/taxing-wages-australia.pdf>

³⁹ Fair Work Ombudsman, *Textile, Clothing and Footwear Compliance Campaign Report*, 2019.

Benefit description	Stakeholder group	# of stakeholders	% of avoided risk	Value of benefit per stakeholder	Total value of benefit
Prevented work - related injury and illness	Employees and Outworkers	3890 workers and outworkers in ECA accredited businesses X	9% incident rate of manufacturing sector X	\$14,400 ⁴⁰ value/benefit of median compensation claim =	\$5,097,456

Key assumptions that inform this benefit include:

- The number of stakeholders/employees (3890) is taken from an average number of reported employees from the interviews/surveys (29) and multiplied across the 82 ECA accredited businesses in Victoria.
- A 9% work place injury incident rate in the manufacturing sector⁴¹
- A median compensation claim of \$14, 400 per incident.⁴²

⁴⁰ Fair Work Ombudsman, *Textile, Clothing and Footwear Compliance Campaign Report*, 2019

⁴¹ Safe Work Australia, *Key Work Health and Safety Statistics Australia*, 2024.

⁴² Ibid.

Australian TCF industry

Stakeholder group	Benefit description	# of stakeholders	% of avoided risk	Value of benefit per stakeholder	Total value of benefit
Australian TCF industry	Increased profits for the Australian TCF industry (versus overseas)	1 TCF Industry X	10% estimated rate of purchases of TCF products X	\$53,280,000 (\$71,040,00 profits – 25% corporate tax rate) =	\$5,328,000

Key assumptions and data sources to inform this benefit include:

- The \$220 million net income of ECA accredited businesses is based on analysis of all Victorian ECA accredited business' staff employment ranges, combined with the revenue data collected in surveys and interviews from participating accredited businesses, and ATO data.
- The net profit margin of TCF businesses is 32%⁴³
- The 10% is an estimated rate of the lost profit margin that goes outside of Victoria, rather than back into the Victorian industry. There are no available figures on the % of procurement contracts which are awarded to overseas suppliers (or local suppliers who sub-contract to overseas suppliers). However, based on interviews with ECA accredited businesses, this was reported as a significant concern. We have conservatively estimated that 10% of procurement may go to non-Victorian businesses.

Government/tax-payers

Benefit description	Stakeholder group	# of stakeholders	% of avoided risk	Value of benefit per stakeholder	Total value of benefit
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⁴³ ATO Taxation Statistics, 2021-2022.

Taxation relating to Victorian businesses increased in assessable income	Government	1 Government	X	25% corporate tax rate for businesses	X	\$7,104,000 Estimated profits of ECA accredited businesses	=	\$1,776,000
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- A 24.9% income tax rate applied to the estimated increased profits
- Estimated profits is based on the value of the increased profits for the Australian TCF industry (less taxes), seen in the table below. A 24.9% income tax rate applied to the estimated increased profits of the TCF Industry.

Benefit description	Stakeholder group	# of stakeholders	% of avoided risk	Value of benefit per stakeholder	Total value of benefit
Receive additional taxation from employees receiving correct pay and entitlements	Government	3890 workers and outworkers in ECA accredited businesses	22% rate of underpayment in TCF industry	\$1,245 value/benefit of income tax benefit per worker or outworker	\$1,065,471

- The number of stakeholders (workers and outworkers) is taken from an average number of reported workers and outworkers from the interviews/surveys and multiplied across the 82 ECA accredited businesses in Victoria.
- The average cost of underpayment (\$5000) and rate of underpayment (22%) is taken from a Fair Work Audit of 371 businesses – however is likely higher, due to the lack of regulation in the outworker sector and high instances of underpayment and overwork. The Fair work ombudsman found that 78% of TCF businesses pay their employees correctly.⁴⁴
- Income tax revenue of underpayment to workers and outworkers claimed by government (\$5000 – 75.1%=1,245)

⁴⁴ Fair Work Ombudsman, *Textile, Clothing and Footwear Compliance Campaign Report*, 2019.

Appendix 2 SROI Scope

Table 8 below details how the scope (as defined in the RFQ from ECA) has been separated into SROI and non-monetised outcomes. This is also reflected in the logic model which was developed in collaboration with ECA in a workshop held in November 2024.

Table 8: Alignment of original RfQ research topics with outcomes from logic model

RFQ outcomes	Logic model outcomes
<p>SROI Benefits</p> <ul style="list-style-type: none"> • The benefits that come from supporting local TCF manufacturers that are accredited with Ethical Clothing Australia. • The benefits that come from purchasing from Ethical Clothing Australia accredited manufacturers, for the purposes of Modern Slavery and other human rights obligations. • Supporting safe and fair workplaces: Purchasing from suppliers that comply with industrial relations laws and promote secure employment 	<p>Short term outcomes</p> <ul style="list-style-type: none"> • Accredited businesses actively consider their supply chain. • Accredited businesses are aware of their obligations to provide a safe and fair workplace for garment workers - including new changes to legislation over time • Accredited businesses demonstrate improved compliance with labour laws • Employees are aware of their rights under the TCFAI Award and NES <p>End of program outcomes</p> <ul style="list-style-type: none"> • Employees are working in safe workplaces and are entitled to compensation for incidents • Employees are less likely to be exploited • Employees receive liveable wages and legal entitlements (under the TCFAI award, NES and OH&S legislation)
<p>Non-monetised benefits</p> <ul style="list-style-type: none"> • Supporting and enhancing the current scheme in Victoria • Supporting ECA-accredited social enterprises • Supporting ECA accredited business who have social initiatives in place • Gender equity and inclusion in the local industry through the employment of women • Gender equitable employment focused on the ECA accredited businesses • Women’s equality and safety: Adoption of family violence leave by Victorian Government suppliers and Gender equality within Victoria Government suppliers • Opportunities for disadvantaged Victorians: Purchasing from Victorian social enterprises - Job readiness and employment for: long-term 	<p>Short term outcomes</p> <ul style="list-style-type: none"> • Increased business income provides funds to innovate, employ marginalised workers and implement sustainable business practices • Businesses provide employment and training opportunities for marginalised and rural communities • VIC Gov purchases support Victorian based businesses • End of program outcomes • Increased employment of women, migrants and disadvantaged workers. • Viable and sustainable business for Australian manufacturers

unemployed people, disengaged youth, single parents, migrants and
refugees, workers in transitions

Appendix 3 Program logic model

What is the social value of buying from an ECA accredited supplier?

Problem statement: Ethical Clothing Australia is an accreditation body working to protect the rights of local textile workers. The accreditation process audits Australian TCF businesses ensuring compliance with relevant labour laws relating to wages, awards and working conditions. The Victorian Government’s Procurement portal ‘Buying for Victoria’ includes the Ethical Supply Register (ESR) which lists registered suppliers of locally manufactured corporate clothing, uniforms, workwear and personal protective equipment. The ESR aims to ensure that buyers are registered suppliers which comply with the relevant labour laws relating to wages, awards and working conditions. However, the framework includes a caveat that accredited suppliers should be used “wherever possible” which has enabled government agencies to continue to procure from non-accredited providers. ECA accredited businesses have indicated that they are investing significant time and money to tender for government contracts, only to be informed that some government departments/agencies are preferencing the price-point of offshore suppliers over locally manufactured uniforms and PPE.

