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A Canadian Success Story?



Gildan Activewear: T-shirts, Free Trade and Worker Rights

Maquila Solidarity Network and
the Honduran Independent Monitoring Team

A Canadian Success Story?

Gildan Activewear:
T-shirts, Free Trade and Worker Rights

This research was carried out with the generous assistance of the International Development Research Centre (IDRC), Ottawa, Canada, and is part of a larger research project examining the impact of the North American Free Trade Agreement (NAFTA) and other trade agreements and policies on the garment industry in the Americas, and particularly workers' rights.

This report was prepared in collaboration with the Honduran Independent Monitoring Team (EMIH), as well as with local researchers and labour rights groups in Mexico, El Salvador, Nicaragua, the Dominican Republic and Haiti.

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Preface

When trade ministers concluded the Uruguay Round of GATT trade negotiations at Marrakesh in 1994, considerable attention was given to the Agreement on Textiles and Clothing (ATC), under which the restraints facing these exports from many developing countries for over 30 years would be phased out by January 2005. Many studies suggested that the end of the ATC would trigger major gains both for larger exporting countries and for consumers, while other countries faced major losses.

What was not clear, however, was how textile and garment workers would be affected. Would expanded trade lead to more employment and better working conditions or a race to the bottom among countries and workers, resulting in a lowering of labour standards and wages? What was the future for workers in countries that found it difficult to compete without quotas?

These issues were further complicated by an array of regional trade arrangements such as the North American Free Trade Agreement and the US' Caribbean Basin Trade Partnership Act, which granted special market access to some garment exporting countries and not others.

At a workshop held at The North-South Institute in Ottawa in 2000, several researchers discussed how to use value-chain analysis to understand the restructuring of the global garment industry and to help workers organize to improve their working conditions. At that meeting, Maquila Solidarity Network (MSN) staff developed a preliminary map of Gildan's supply chain and began to discuss their plans to investigate how trade policies and agreements were impacting on that company's production and sourcing practices and the conditions under which workers make their products.

This study of Gildan's operations in Mexico and Central America forms part of a larger MSN research project on changes facing garment workers in those countries. It makes an important contribution to the broader global enquiry on how changes in international and regional trade rules are affecting workers and what action might be taken to ensure that their working conditions meet certain international norms.

The report is based on a unique collaboration between MSN and local NGOs, such as the Honduran Independent Monitoring Team (EMIH). It combines on-the-ground expertise of local groups, who carried out extensive interviews with workers, with MSN's research on trade agreements, corporate restructuring and potential leverage points to promote improved labour practices. As a result, it offers new insights into the ways in which a Canadian company is re-organizing its production in response to changing trade regimes, and how this is affecting the workers themselves

(in terms of work intensity, length of the work-day, wages and discipline, amongst other aspects).

This report is essential reading for researchers, policy-makers and activists in Canada and elsewhere who are interested in the promotion of corporate responsibility and ensuring improvements for workers as world trade evolves. Its availability in Spanish as well as English will ensure that it becomes a useful tool for Latin American researchers and worker rights advocates, and will no doubt promote further collaboration among counterpart organizations in the North and South.

Ann Weston
The North-South Institute

Introduction

In 2000 and 2001, the Maquila Solidarity Network received queries from several groups in Central America and the Caribbean with whom we have contact about a Canadian company called Gildan Activewear. Groups were reporting alleged labour rights violations at factories producing Gildan products.

Based on preliminary research, we discovered that although not a household word in Canada, Gildan was a very successful company, that many Canadians had Gildan T-shirts in their closets, and that many groups we worked with in Canada were bulk purchasers of Gildan shirts. We decided to learn more about the company and its labour practices and suggested doing a joint research project in collaboration with some of the same groups who had initially contacted us with reports of problems at Gildan facilities, and in particular the Honduran Independent Monitoring Team.

While local groups and MSN were carrying out research, Gildan's labour practices came into the public eye in Canada as a result of a television exposé regarding conditions at its Honduran plants.[1] Although unanticipated, the Canadian Broadcasting Corporation's (CBC) exposé, as well as Gildan's and MSN's response to it, also became an important part of this story, setting the scene for MSN's first formal engagement with Gildan.

In November 2002, MSN provided Gildan the opportunity to review and comment on an earlier draft of this report prior to its publication, as well as to consider and discuss the recommendations from ourselves and our Southern research partners that are based on the findings of the report.[2]

Then in December 2002, as we were preparing to meet with Gildan to discuss the report, MSN received reports of possible violations of freedom of association at one of the company's wholly owned factories in Honduras. MSN's efforts to encourage Gildan to address the problem, as well as the company's denial of any worker rights violations has made it more difficult to continue to dialogue with Gildan.

The first draft of this report was then revised in light of Gildan's comments and updated to include details of the November firings and Gildan's response to allegations of violations of freedom of association. The recommendations were also changed in light of our discussions with Gildan.

This revised report includes the results of corporate research undertaken by MSN into publicly available information on Gildan's operations, an outline of

[1] Disclosure, "Sewing Discontent," CBC Television, January 22, 2002.

[2] Two MSN representatives met with three representatives from Gildan's senior management team on January 23, 2003. Following the meeting, Gildan provided MSN with a 12-page comment on the report, which we have on file.

Gildan's structure, supply chain and corporate strategy; the results of local research about working conditions and labour practices at five Gildan production facilities in Mexico and the Caribbean Basin; and proposals for steps that Gildan and stakeholders can take to ensure respect for workers' rights. Where relevant we have incorporated Gildan's response to our November draft report.

The report does not look at labour practices or working conditions at Gildan-owned factories in Canada or the United States. While a majority of Gildan's Canadian workers are represented by unions and enjoy the benefits of collective agreements, none of Gildan's workers in Mexico or the Caribbean Basin are organized, with the possible exception of a Salvadoran contract factory where management has invited in a pro-company union, without the workers' consent.

Our objectives, and those of our Southern researcher partners, in publishing this report have been to document Gildan workers' perceptions of working conditions and labour practices in order to engage with the company on steps it might take to address real and perceived problems.

In the process of finalizing this report we have come up against major differences of opinion concerning Gildan's labour practices, with the company on the one side and the workers interviewed and local labour rights and research groups on the other. There is also disagreement on factual issues, such as wage levels, hours of work, overtime pay, etc. Gildan's overall reaction to the report has been to deny that the information is based in fact and to attempt to minimize the seriousness of the workers' allegations contained in this report.

While Gildan is not alone in being associated with inadequate wages and other workplace problems in Southern countries, we believe that Gildan can and should take a leading role in corporate social responsibility by addressing the problems and issues raised in this report. The recommendations outlined at the end of this report assume that Gildan Activewear is in fact committed to ensuring that workers rights are respected in all factories producing Gildan products.

We hope that this report will encourage greater understanding of the complexities of the garment industry, how companies are restructuring their sourcing operations in response to changing trade regimes, and the resulting issues and problems confronting the workers who make our clothes. More importantly, we hope the report will contribute to improving working conditions and labour practices at Gildan's Southern facilities.

Maquila Solidarity Network and
Honduran Independent Monitoring Team
May 2003

Gildan's response to criticism

1

On January 22, 2002, the CBC television program "Disclosure"[3] ran a segment entitled "Sewing Discontent" in which Honduran employees of Gildan Activewear accused the Quebec-based T-shirt manufacturer of a number of worker rights abuses, including:

- Excessively high production quotas;
- Eleven hour work days;
- Wages of Cdn.$16 (US$10.52) a day that didn't meet workers' basic needs;
- Supervised bathroom breaks to limit workers' use of the facilities;
- Poor air quality – air filled with fabric dust;
- Firings of workers attempting to organize; and
- Forced pregnancy testing, and firings of workers found to be pregnant.

On the program, Gildan's Vice-President of Corporate Affairs, Mackie Vadacchino,[4] denied the accusation of forced pregnancy testing, stating that any urine tests for new employees are for drug use rather than pregnancy. She reported that Gildan had commissioned an air quality study of the Honduran plant that confirmed it meets Quebec standards. She also produced affidavits signed by employees claiming they had been pressured to lie to the CBC investigative reporter. The letters didn't mention forced pregnancy testing, and workers' names, which had been shown to CBC lawyers, had been blanked out. Gildan failed to comment on alleged violations of freedom of association.[5]

In follow-up phone conversations with MSN,[6] Vadacchino denied that any of the accusations made on the program were based in fact. According to Vadacchino, there are no production quotas in any Gildan factories. She went on to say that the average wage at the factory profiled in the CBC program is Cdn.$23.50 (US$15.42 or Lps. 251.45[7]) per day,[8] three to four times the minimum wage in Honduras, and that the 11 hours a day, four days on and four days off (4X4) workweek is preferred by employees, since it reduces the need for daycare.

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[3] Disclosure, "Sewing Discontent," CBC Television, January 22, 2002.
[4] March 11, 2003 we learned that Ms. Vadacchino was no longer working with Gildan, and that the position of Vice- President of Corporate Affairs had been eliminated.
[5] www.cbc.ca/disclosure/archives/0222_gildan/main.html
[6] Phone conversation with Mackie Vadacchino, VP Corporate Affairs, January 29, 2002.
[7] Conversions between Canadian and US dollars and Honduran Lempiras made as of July 7, 2002 unless otherwise specified.
[8] According to Gildan's January 28, 2003 response to this report, Gildan workers in Honduras make $Cdn.115 a week or $Cdn.28.75 a day. This is disputed by the Honduran research team.

Vadacchino also stated that Gildan workers have free medical services on site, subsidized meals in the factory, and paid transportation.[9] According to Vadacchino, Gildan has invested $1.3 million to build 59 new homes for victims of Hurricane Mitch in Honduras.[10]

When asked about working conditions in contract assembly plants in other Central American and Caribbean countries, Vadacchino stated that Gildan is moving away from using contract factories and consolidating its offshore production in Honduras and Mexico. She said that Gildan products were still being assembled in one contract factory in El Salvador.[11]

Initial Commitment to SA8000 Standard and Third-Party Audits

Shortly after the CBC program was aired, Gildan announced it would be seeking SA8000 certification of its manufacturing facilities.[12] According to Vadacchino, that decision was not motivated by the CBC exposé; the decision had been made months earlier.[13]

In fact, the Quebec Federation of Labour's Fonds de solidarité FTQ, which invests Quebec union members' pension fund contributions in Quebec-based companies and holds 4.2 percent of Gildan's total shares, had for some time been encouraging Gildan and other Quebec-based companies in which it holds shares to adopt the SA8000 Standard.[14] It is therefore quite likely that Gildan is correct in stating that it had made this decision prior to the airing of the CBC program.

At the same time as it committed to SA8000, Gildan also continued to seek certification of its manufacturing facilities under the Worldwide Responsible Apparel Production Certification Program (WRAP).[15] While the SA8000 Standard is based on the Conventions of the International Labour Organization (ILO), WRAP code provisions do not reference ILO Conventions and, with a few exceptions, require little more than compliance with local labour laws. Gildan's own code of conduct is more similar to the WRAP Principles than to the SA8000 Standard. A number of its provisions are weaker than those in the SA8000 Standard, including provisions on discrimination, hours of work, wages, and freedom of association.[16] The WRAP Principles also include provisions on drug interdiction and transshipment of apparel made in other countries.[17]

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[9] Again, our local research team took issue with Gildan's claims, stating that on-site medical services are part of the IHSS social security medical plan to which employees make a contribution, and that workers pay for meals (except in cases where production bonuses include meal tickets) and for transportation.

[10] "Funding for this project was provided through a grant from the Canadian International Development Agency – Industrial Cooperation (CIDA, INC.), a donation from Gildan Activewear and subsidized mortgages arranged for the homeowners amounting to approximately 30 percent of the actual cost per house." *Canada Newswire,* March 8, 2001. However, according to CIDA records, the CIDA grant (Cdn.$480,000) was four times greater than Gildan's contribution (Cdn.$120,000) to the project.

[11] Confirmed by local researchers in El Salvador that as of March 2003 Gildan production accounted for "almost" 100% of orders at the contract facility.

[12] Jan Ravenspergen and Melanie Verhaeghe,"Gildan bows to Fund, T-shirt maker implementing code of conduct after allegations of pregnancy testing of Honduran employees air in TV report," *Montreal Gazette*, January 26, 2002.

[13] Mackie Vadacchino, Letter to the Editor of the *Montreal Gazette*, January 28, 2002 (on file).

[14] Gilles Audette, Solidarity Fund QFL, Letter to the Editor of the *Montreal Gazette*, January 28, 2002 (on file).

[15] www.sa-intl.org and www.wrapapparel.org

[16] Gildan's code of conduct and an MSN evaluation of the code are on file.

[17] See MSN assessment in section 4 of this report.

Gildan did in fact did obtain WRAP certification of its three Honduras sewing plants on September 24, 2002, based on audits from the Bureau Veritas Quality International (BVQI). Unfortunately, over the course of 2002 Gildan seemed to have decided to reconsider its decision to seek SA8000 certification.[18]

Inquiries from Institutional Buyers

Following the airing of the Disclosure segment on Gildan, MSN received inquiries from a number of institutional buyers of Gildan products – including the University of Toronto, Amnesty International, the Vancouver and Winnipeg Folk Festivals, and employees of the CBC itself – asking whether they should stop purchasing products from Gildan. MSN advised them not to boycott Gildan, but instead to use their institutional purchasing power to demand greater accountability and transparency from the company.[19]

As a result, a number of institutional buyers contacted Gildan, recognizing the positive step it had taken in committing to the SA8000 Standard, and requesting that the company do the following:[20]

- Provide verifiable evidence that alleged worker rights violations are either not occurring or that proper steps are being taken to address violations;
- Provide opportunities for trusted local human rights, labour and/or women's groups to have an active role in the code compliance verification process;
- Provide public reports on progress made in achieving compliance with recognized international standards and local laws; and
- Ensure that the workers who appeared on the CBC program are not punished for doing so.

As far as we know, Gildan has not taken action in response to any of the above requests.

Firings of Union Members

In November 2002, MSN received disturbing reports of firings of Gildan employees who were seeking registration of a union at Gildan's El Progreso plant in Honduras. At MSN's request, the Honduran Independent Monitoring Team

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[18] In their January 28, 2003 response to the draft of this report, Gildan states: "The implementation of WRAP standards did allow us to improve in some critical areas. These being increased training of our supervisors on our Codes and Standards, as well as increased communication to employees on these same Codes and Standards. In the meantime we are implementing WRAP in our plants in Mexico. We have begun a systematic evaluation of SA8000, FLA and other international standards. Once we get our WRAP certification for all our plants in Honduras and Mexico, our senior management will decide which of these new International Standards best fits our needs overall in taking into account all stakeholders. We respect your perception but we must underline the fact that the U.S. Government during its January 8th launch of negotiations for a US – Central American Free Trade Agreement applauded WRAP as one program in the region that is "Improving the Lives of Workers."

[19] www.maquilasolidarity.org/campaigns/Gildan

[20] Letters on file at MSN office. Also see Sue Bloch-Nevitte, "U of T Asks T-Shirt Manufacturer to Explain CBC Allegations," *The Bulletin: University of Toronto*, February 25, 2002, http://www.newsandevents.utoronto.ca/bulletin/2-25-02/02-25-02.pdf.

(EMIH) carried out additional research, documenting the events and the fired workers' perceptions of what had occurred. The results of that research were as follows.

On November 14, the Ministry of Labour in the Honduran capital, Tegucigalpa, acknowledged receipt of an application from the Gildan Workers' Union (SITRAGILDAN) for legal recognition and registration.[21] (In Honduras, dismissal of workers while they are seeking union registration is not permitted.)[22]

On November 24, almost all of the 46 Gildan El Progreso workers[23] who had signed up for the union were called one after another to the Personnel Office, where they were informed that their employment with the company had been terminated.

Some 23 of the fired union members registered complaints with the Regional Office of the Ministry of Labour, charging the company with failing to pay full severance.

On December 4, a Ministry of Labour inspector responded to the complaints by trying to visit the El Progreso plant to investigate pay records. In a report, dated December 19, the inspector stated she was stopped by security and told she could not enter the industrial park, on the pretext that Gildan's Manager of Human Resources was not there. The Ministry subsequently issued three formal requests for meetings with the company.[24] Gildan reportedly did not respond to the requests.

In early December, EMIH requested a meeting with Gildan management in Honduras to hear their side of the story and to learn what actions the company might be willing to take to address the situation of the fired union members. At that time, Gildan refused to meet with EMIH. On February 3, 2003, at the urging of MSN, Gildan finally met with EMIH, but refused to consider the possibility of reinstating the fired workers.

During a December 16, 2002 conference call with Gildan and in a December 18 follow-up letter,[25] MSN had requested that the company do the following:

- Contact the Ministry of Labour to confirm that workers had filed for registration of a union prior to the November 24 firings;
- Ensure that workers receive their full severance pay; and
- Circulate a letter to current workers and fired union members, affirming Gildan's respect for workers' right to freedom of association and offering to reinstate fired union members.

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[21] Signed letter on file.

[22] Article 517 of the Labour Code states the following: "A formal petition made by [a minimum of] thirty workers outlining their intent to form a union that is delivered in writing to the management, communicated to the Ministry of Labour, or to the Labour Ombudsperson, places those who have signed said petition under the special protection of the State. Accordingly, from the time the petition is filed until the date that legal status is granted to the union, none of these employees can be fired, transferred, or demoted without just cause…" [MSN translation].

[23] Initially, MSN received conflicting figures on the number of union members fired on November 24. For that reason, we used the more conservative figure of 38 workers. We have since received a list of the union members' names, confirming that there were 46 union members. All but a few workers were fired on November 24. All but one of the remaining workers were fired or resigned around that same period. The one worker that remained was pregnant. The firing of pregnant workers is illegal in Honduras.

[24] Signed statement on file.

[25] E-mail letter on file.

In three meetings with MSN and the EMIH,[26] Gildan officials stated the following:

- Workers were terminated when reduced orders required decreasing the workforce.
- The company was not aware that workers had applied for the registration of a union, because the Ministry of Labour failed to inform the company of this fact.[27]
- The fact that workers who were terminated included those trying to organize a union is merely coincidental; those terminated were selected because there were problems with their work (i.e. they were less productive or efficient).[28]
- Gildan has no knowledge of any "irregularities": e.g. lack of written notice of termination, escorting off the property, insufficient severance pay, lack of access for inspection, or failure to respond to three formal requests for meetings from the Ministry of Labour inspector.

Calls for Independent Investigation

Because of the huge disparity between Gildan's claims and the testimonies of workers fired in Honduras, on January 23, 2003, MSN called on Gildan to cooperate with an independent investigation, followed by the release of a public report.[29] Such an investigation would hopefully also shed light on other issues documented in this report that Gildan disputes concerning wages and working conditions in Gildan's wholly owned and contract factories in Honduras, Mexico and El Salvador.

In early February 2003, MSN released the results of EMIH research on the November firings, and there was extensive media coverage on the issue at the time of Gildan's annual shareholder meeting.[30]

On February 6, 2003, the Fonds de solidarité FTQ supported the call for an independent investigation and urged Gildan to reaffirm its commitment to SA8000

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[26] Those meetings included the December 16, 2002 conference call between Gildan and MSN, a January 23, 2003 meeting between Gildan and MSN in Montreal, and the February 4, 2003 meeting between Gildan's Honduran management and EMIH in Honduras.

[27] According to EMIH, the workers submitted their application directly to the central office of the Ministry of Labour in Tegucigalpa, without first giving notification to either the regional office of the Ministry or to the company. While this prior notification is not required by law, it would seem to facilitate gaining the protection of the State (Article 517). However, many workers and unions are now opting to bypass the local Ministry office and the company, and are registering directly in Tegucigalpa, because in Honduras employer knowledge of worker organizing too often results in workers being fired, even while enjoying the formal 'protection of the state.'

[28] A February 1997 study by the Honduran Committee for the Defense of Human Rights (CODEH), based on interviews with 884 maquila workers in that country, revealed that 30 percent of all worker complaints concerning unjust dismissal were the result of employers discovering that workers were attempting to organize a union. The study also found that 16 percent of the workers interviewed were told during their job interviews that union organizing was prohibited, and another 15 percent assumed it was prohibited. *Estudio socio juridíco sobre las condiciones de trabajo en las maquilas en Honduras*, CODEH, February 1997, published by Cooperación Española y Asamblea de Cooperación por la Paz.

[29] The proposal was reiterated in the January 28, 2003 e-mail from MSN to Gildan, on file.

[30] Jan Ravensbergen, "Gildan confronted with allegations of union busting: Solidarity Fund requests probe to determine whether Hondurans were fired for organizing," *Montreal Gazette*, February 7, 2003.

certification of its factories in Central America and Mexico.[31] MSN and a number of bulk purchasers of Gildan products have supported this proposal, and have also requested public disclosure of the results of SA8000 audits.

Gildan had sent MSN a letter on May 6, 2002, stating that they would be willing to share their WRAP audit reports with MSN.[32] In response to a follow-up letter from MSN questioning whether Gildan continued to be committed to seeking SA8000 certification and public disclosure of all factory audits, Gildan stated in a December 20, 2002 letter that it was still considering the possibility of SA8000 certification, but had not made a final decision.[33] After a January 23, 2003 meeting with MSN, Gildan reconfirmed in writing that the company would be willing to release WRAP audit reports to MSN, but did not mention SA8000 reports or public disclosure of either WRAP or SA8000 reports.[34]

Other organizations in Canada that are bulk purchasers of Gildan Activewear products – such as the University of Toronto, Amnesty International, Oxfam Canada, and the Winnipeg Folk Festival – have also written letters to Gildan, expressing concern about the dismissal of union members in November 2002, and reiterating their requests for verifiable assurances that Gildan was respecting worker rights.[35]

In 2002, negative publicity and positive engagement with the company by the Fonds de solidarité FTQ, institutional buyers and MSN appeared to have gained commitments from Gildan to improved workplace monitoring and greater transparency. However, by the time of its February 6, 2003 annual shareholder meeting, Gildan appeared to be retreating from earlier commitments to SA8000 and public disclosure of audit reports to a position of evaluating its options on monitoring systems and offering to release WRAP audit reports to MSN, but not to the public.[36]

In order to ensure that Gildan follows through on its earlier commitments, it is essential that we understand how the company works and how different leverage points can be used to encourage greater respect for workers' rights.

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[31] Jan Ravensbergen, op cit.
[32] On file.
[33] On file.
[34] E-mail correspondence on file.
[35] Letters on file.
[36] MSN rejected Gildan's proposal that we be provided copies of their WRAP monitoring reports, because we would have been required to sign a confidentiality agreement preventing us from sharing that information with other stakeholders. In our view, institutional shareholders and other Gildan stakeholders should have access to reports on Gildan's progress in achieving compliance with ILO Conventions and local laws. We were also concerned that releasing WRAP reports to MSN on a confidential basis would deflect attention from Gildan's weakening commitment to the SA8000 Standard, SA8000 certification and reporting on the results of those audits.

Gildan: a business success story

2

Prior to the CBC exposé, Gildan Activewear was better known as a Canadian success story than as an employer associated with alleged worker rights violations. Gildan is one of the largest "basics"[37] manufacturers in North America and one of the few Canadian apparel companies with major operations in Latin America. Gildan produces three basic products, T-shirts, "fleece" or sweatshirts, and placket collar golf shirts, each in a variety of styles and colours.

In 2001, Gildan became the largest manufacturer and marketer of cotton T-shirts for the North American wholesale market, followed by the Hanes division of Sara Lee and Fruit of the Loom. Despite the general economic downturn in 2001, its annual sales grew to Cdn.$504.9 million from Cdn.$459.2 million in 2000, and Cdn.$334.2 million in 1999.[38] In 2002, Gildan hit a new annual sales high of Cdn.$600.6 million, up 19% from the year before.[39] This continued growth has been mainly at the expense of its competitors as its share of the US T-shirt market has risen to 27.7% in 2002, up from 23.6% the year before.[40]

In spite of increased unit sales, Gildan's net earnings in 2001 fell dramatically from Cdn.$54.6 million in 2000 to Cdn.$0.82 million. According to Gildan, increased unit sales were "offset by industry price reductions, unfavourable product-mix, increases in… infrastructure" and the cost of expansion to meet "long term growth and cost objectives."[41] Prospects were brighter the following year as the company posted earnings of Cdn.$66.5 million in fiscal 2002.[42]

Gildan's major competitors include Hanes and Outer Banks (Sara Lee Corp.), Fruit of the Loom, Anvil Knitwear, Bassett-Walker (VF Corp.), Delta Apparel (Delta Woodside Industries Inc.), Jerzees (Russell Corp.), and Tultex Corp. Like Gildan, these companies have been shifting assembly operations offshore. For example, in its 1999 *Annual Report*, Russell Corporation asserted that it started 1998 with 17% of production offshore, but aimed to end 1999 with 60% in Mexico and the Caribbean Basin. By the end of 1999, Russell had surpassed its own expectations and managed to shift close to 70% of production offshore.[43]

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[37] The term "basics" refers to apparel products of low complexity such as underwear, knit shirts (eg. T-shirts), babywear, nightwear and pyjamas.
[38] Gildan Activewear, *Annual Report 2001*.
[39] *Ibid.*
[40] "Gildan Reports Record Profits," Canadian Press, *Toronto Star*, August 9, 2002.
[41] Gildan Activewear, *Annual Report 2001*.
[42] "Gildan Reports Record Profits," 2002, *op cit.*
[43] Russell Corp., *US SEC Annual Report Form 10-K*, March 31, 2000.

In April 2001, one of Gildan's other competitors, Fruit of the Loom (FTL), launched a lawsuit, alleging that Gildan had stolen its top-secret strategic document "Plan Sew" and had hired away key executives to gain unfair competitive advantage. FTL was on the defensive after its poor performance in an ongoing pricing war initiated by the arrival of Gildan in the US marketplace in 1997. By the end of 1999, FTL had filed for Chapter 11 bankruptcy in the US. The lawsuit was subsequently stayed by mutual agreement between the two companies. Gildan even attempted to buy out the faltering company, but Fruit of the Loom was eventually purchased by Berkshire Hathaway Inc.[44]

● Gildan's Supply Chain

Gildan is unique among Canadian manufacturers in that its supply chain spans North America and the Caribbean Basin, with manufacturing facilities in Canada, the US, Mexico and Central America.[45] In recent years, Gildan has also used contract facilities in El Salvador, Haiti, the Dominican Republic and Nicaragua.

According to Gildan, in 2002 "approximately 97% of our products were sewn in Mexico, Central America and the Caribbean Basin,"[46] which confirms that although Gildan continued to have some sewing done in Canada, those operations were negligible overall. On March 27, 2003, Gildan announced plans to close its Montreal Clark Street Sewing facility as of May 2, 2003. Gildan CEO Greg Chamandy commented, "[O]ur success depends on our continuing unwavering commitment to be the global low-cost producer of activewear and to constantly drive down our manufacturing cost structure."[47]

See charts on pages 11 and 14 for a comparison of Gildan's supply chain in 1999 and 2002. The map on page 35 provides a geographic snapshot of Gildan's 2002 supply chain.

Gildan's executive offices are located in Montreal, Quebec, Canada. Its international headquarters, responsible for all non-Canadian sales, manufacturing, warehousing, distribution, marketing and customer service, is located in Barbados and benefits from a favourable tax treaty between Canada and Barbados.[48]

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[44] Bertrand Marotte, "Upstart Gildan shrugs off trouble, sticks to strategy," *Globe and Mail*, May 9, 2001, "Gildan Bids for Fruit of the Loom," *Just Style*, August 6, 2001.

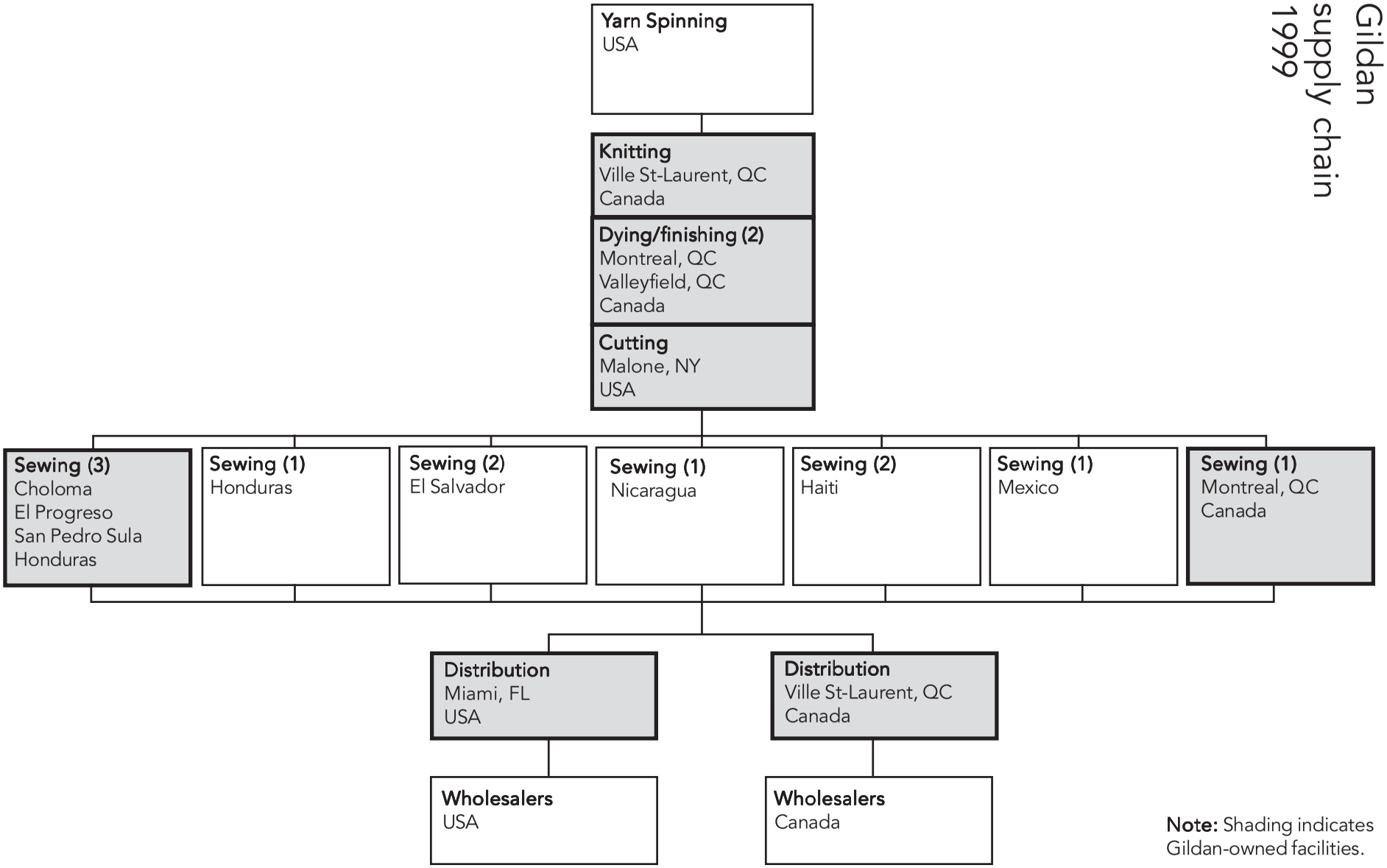
[45] According to Gildan's most recent *US SEC Annual Information Forum*, February 2003, as of December 31, 2002, Gildan "employed approximately 8,450 full-time employees, including approximately 1,300 in Canada, approximately 1,900 in Mexico, approximately 4,900 in Honduras, approximately 300 in the United States, 48 in Barbados and 2 in Europe. Of these employees, approximately 700 Canadian employees are covered by collective bargaining agreements. Approximately 200 employees at the Valleyfield dyeing and finishing facility are covered by a collective bargaining agreement that expires on October 31, 2003. Approximately 200 employees at the Montreal dyeing and finishing facility are covered by a collective bargaining agreement that expired on December 31, 2002. We are currently negotiating the renewal of that collective bargaining agreement. Approximately 175 employees in our Long Sault, Ontario yarn mill are covered by a collective bargaining agreement, which expires on September 30, 2006. Approximately 100 employees in our newly acquired Montreal yarn mill are covered by a collective bargaining agreement, which expires on October 31, 2007. Our employees in the Montreal sewing facility which were previously covered by a collective bargaining agreement, became non-unionized [sic] following the cancellation of certification of their union in July 2002." p. 16.

[46] Gildan Activewear, *US SEC Annual Information Form*, February 12, 2003, p. 15.

[47] "Gildan Activewear Announces Consolidation of Sewing Facilities," Press Release, March 27, 2003, www.gildan.com/pr.

[48] Gildan Activewear, *Annual Report 2001*, p. 18.

Gildan supply chain 1999



Note: Shading indicates Gildan-owned facilities.

Journey of a Gildan T-shirt[49]

Yarn is either purchased in the US from long-term fixed cost suppliers, or is produced in recently acquired yarn-spinning plants located in Quebec and Ontario.[50]

Yarn is brought to Gildan's knitting plant in Montreal, Quebec where it is knitted into fabric and then dyed into one of Gildan's range of colours in Gildan-owned dying and finishing plants in Valleyfield and Montreal, Quebec.[51]

Fabric is then sent to a nearby plant in New York State for cutting.[52]

Gildan has recently finished construction of a new textile facility in Honduras, which began operations mid 2002. Yarn purchased from the US can now be knit, dyed, finished and cut in Honduras.[53]

Fabric cut at the automated cutting facility in Bombay, New York is shipped to one of Gildan's many sewing facilities, either in Central America or Mexico. In the future, fabric cut and produced in Honduras will likely supply Gildan's Honduras assembly plants and any contract factories it uses in the Caribbean Basin.[54] Until its planned closure in May 2003, Gildan's Montreal Clark Street sewing factory had serviced "a significant portion"[55] of the company's Canadian market.

T-shirts sewn in Mexico and the Central America are generally destined for the US market and are distributed through a Gildan-owned facility in Eden, North Carolina.[56] Gildan owns a second distribution centre in Montreal, Quebec.

The vast majority of Gildan products are sold to North American wholesale distributors. In 2002, Gildan's three largest wholesaler customers (Broder Brothers, Alpha Shirt Holdings and The Stardust Corporation) accounted for just over 30 percent of its total sales and its top 10 customers accounted for 59 percent of total sales.[57]

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[49] Primary sources: Gildan Activewear, *US SEC Annual Information Form*, January 25, 2000, pp.4-20; Gildan Activewear, *US SEC Annual Information Form*, February 16, 2001; Gildan Activewear, *Annual Report 2001*; and Gildan Activewear, *US SEC Annual Information Form*, February 15, 2002.

[50] In January 2001, Gildan entered into a fixed-price supply agreement with a major US yarn manufacturer. The agreement will last until 2005. In June 2001, Gildan announced the acquisition of the Long Sault, Ontario yarn-spinning plant of Cavalier Specialty Yarn Inc. Gildan Activewear, *US SEC Annual Information Form*, February 15, 2002. In June 2002, Gildan announced the acquisition of a Quebec yarn-spinning facility formerly operated by bankrupt Canadian Fidelity Mills Ltd. "Gildan Activewear Acquires Second Canadian Yarn-Spinning Operation," Gildan press release, June 27, 2002.

[51] According to Gildan's most recent *US SEC Annual Information Form*, February 12, 2003, "[t]he two Canadian plants are expected to provide 100% of the commodity yarn requirements of the Canadian textile manufacturing facilities by the end of fiscal 2003." p. 2.

[52] In December 2001, Gildan Activewear relocated its cutting plant in Malone, New York to a leased facility in nearby Bombay, New York. According to a local newspaper, the plant operates 24 hours a day, seven days a week, producing pieces for 350,000 dozen T-shirt pieces a week. Denise A. Raymo, "Sewing seeds of success: Bombay business manufactures T-shirts, brings Tru-Stitch building back to life," *Press-Republican,* December 2, 2001. Gildan's most recent *US SEC Annual Information Form* (February 12, 2003) describes why cutting is located in the US. "Because our cutting operations are performed in the United States, we are able to take advantage of the duty deduction on finished garments imported into the United States under sub-heading 9802.00.80 of the Harmonized Tariff Schedules of the United States for the value of the fabric cut in the United States and sewn outside the United States."

[53] Gildan Activewear, *Annual Report 2001*, p. 7, and conversation in Honduras with Gildan Activewear Honduras President, Eduardo Facusse, July 2002.

[54] "Gildan Announces Major Manufacturing and Distribution Initiatives to Complete Capacity Expansion to Support $1 Billion Sales Target," Gildan press release, December 7, 2000.

[55] Gildan Activewear, *US SEC Annual Information Form,* February 15, 2002, p. 12.

[56] This new distribution centre opened in 2001, replacing its Miami centre, which was closed down.

[57] Gildan Activewear, *US SEC Annual Information Form*, February 12, 2003, p. 14.

In 2000, US sales accounted for 85 percent of Gildan's overall sales. Gildan has also entered the European market, where it currently sells to a network of 37 wholesalers.[58] Customers in Europe are serviced from a distribution centre "operated by a third party" in Ghent, Belgium.[59] In 2001, European unit sales doubled and Canadian unit sales grew by 25 percent.

● Gildan and Garment Assembly

The Gildan model combines the retention of some manufacturing capacity in Canada with a network of wholly owned factories and a small number of contractors in Mexico, Central America and the Caribbean. As of May 2003, Gildan will own and operate five sewing facilities – three in Honduras (in and around San Pedro Sula), and two in Mexico (in the state of Coahuila).

Until recently, Gildan also used a broad network of independently owned contractor facilities for much of its assembly. These included two in the Dominican Republic, two in El Salvador, two in Haiti, three in Honduras, one in Mexico, and one in Nicaragua. In most cases, Gildan was the exclusive or major buyer, and their initial contracts ranged from one to three years.

In its 2000 *Annual Report*, Gildan announced the following breakdown for its production in Mexico and the Caribbean Basin: Honduras 57%; El Salvador 14%; Haiti 13%; Nicaragua 9%; Mexico 4%; Dominican Republic 2%; and Barbados 1%.

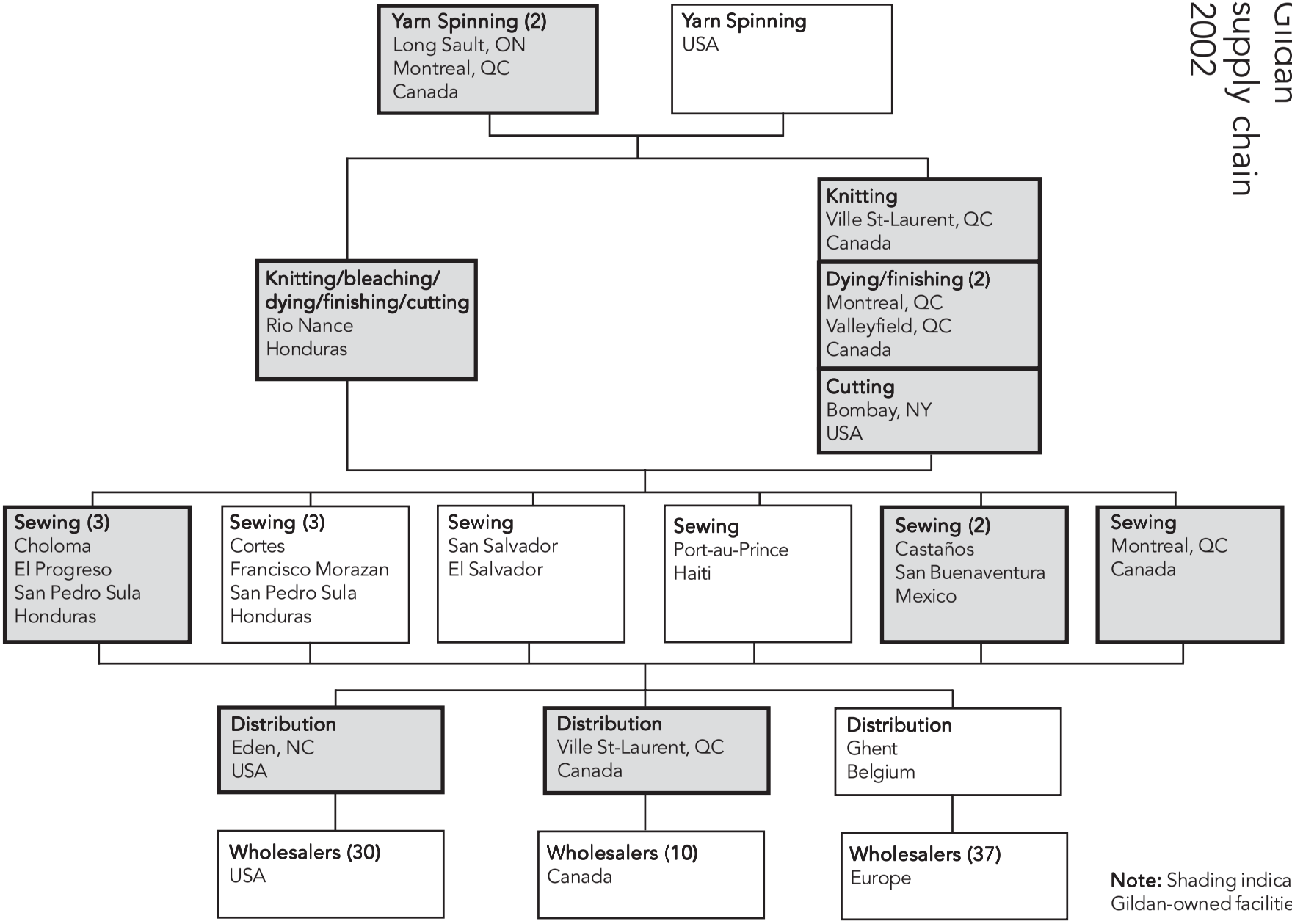
Over the last two years, Gildan has been consolidating production in its wholly owned facilities by expanding their capacities and not renewing (or perhaps cancelling) long-term contracts with some contract facilities. According to Gildan's February 2002 *Annual Information Form*, "[b]y the end of fiscal 2001, 91 percent of our sewing was carried out at company-owned facilities."[60] The document stated that the company was currently using only four contractors, in Mexico, Haiti, and El Salvador.[61] In January 2002, we received reports that Gildan had stopped using contract facilities in Haiti (as of mid-January 2002)[62] and cut back from two to one contractor in El Salvador.[63]

Our research confirmed that contractors in the Dominican Republic and Nicaragua previously producing for Gildan were no longer doing so by mid 2002. We are still in the process of confirming whether and/or to what extent Gildan is subcontracting production in Honduras and Mexico and whether production continues in Haiti.

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[58] According to Gildan's most recent *US SEC Annual Information Form*, February 12, 2003, "Until fiscal 2000, our sales were exclusively in Canada and in the United States. During the past three years we established a strong base for future growth in Europe, where, as of January 31, 2003, we have set up a network of 39 distributors in 20 countries." p. 10.
[59] Gildan Activewear, *US SEC Annual Information Form,* February 15, 2002, p. 13.
[60] Gildan Activewear, *US SEC Annual Information Form*, February 15, 2002, p. 5.
[61] Gildan Activewear, *US SEC Annual Information Form*, February 15, 2002, p. 12.
[62] Telephone conversation, with Mackie Vadacchino, VP Corporate Affairs, January 30, 2002. This was not confirmed with local contacts who believed Gildan products continue to be produced in at least one factory in Haiti. In April 2003, we received information that Gildan products were being made in at least one factory.
[63] Research in San Salvador, January – June 2002.

Gildan supply chain 2002



Note: Shading indicates Gildan-owned facilities.

Effects of Trade Agreements on Gildan's Strategy

Gildan's overall manufacturing and sourcing strategy has been largely dictated by changing trade regimes, particularly the North American Free Trade Agreement (NAFTA) and the US Caribbean Basin Trade Partnership Act (CBTPA).

In its 2002 *Annual Information Form*, Gildan reflected on its past performance and challenges for the future. "So far we have been able to adapt to this changing international regulatory climate. In order to maintain our competitiveness in the future, we must continue to adapt to future changes in trade protection, including changes reflected in existing trade agreements and changes that may be decided unilaterally by the governments of the countries and regions in which we and our competitors operate."[64]

NAFTA and Investment in Mexico

The North American Free Trade Agreement (NAFTA) has made Mexico an increasingly attractive sourcing option to apparel manufacturers.[65]

In December 2000, Gildan unveiled its strategy to take advantage of the changing trade environment.[66] They announced plans to maintain textile production in facilities in Canada, but to send the fabric knit in Canada and cut in the US to Mexico for assembly. Increased Mexican production was to be facilitated by the purchase of Gildan's largest Mexican sewing contractor, Makino S.A., in Hermosillo, Sonora, as well as by the construction of two new plants in Mexico.[67]

Although Gildan has moved forward on its strategy to expand its Mexican capacity, it did not in fact acquire the Makino plants in Hermosillo, and instead concentrated its Mexican operations in Coahuila, in two municipalities just outside of the city of Monclova, Castaños and San Buenaventura. The Castaños "new purpose-built" facility is the larger of the two, at 71,000 sq. ft. and is wholly owned; Buenaventura was reconverted from an old school gym, is leased and is only 14,200 sq. ft., although local contacts report that it is undergoing expansion. Both factories operate under a Mexican corporation, Gildan Activewear Castaños, S. de R.L. de C.V. This corporation in turn is governed by a holding company, Gildan Activewear Mexico, a Barbados corporation.

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[64] Gildan Activewear, *US SEC Annual Information Form*, February 15, 2002, p. 10.

[65] Under NAFTA, the US will eliminate its tariffs over five years on 95 percent of Mexican fabric imports, 83 percent of made-up textiles, and 99 percent of apparel exports. The US will phase out tariffs on more sensitive products over ten years. The US lifted its import quotas on North American-origin textiles and apparels when NAFTA came into effect. Office of the United States Trade Representative and Related Entities, *Study on the Operation and Effect of the North American Free Trade Agreement*, undated. United States Trade Commission (USITC), 2002 Tariff Database, http://dataweb.usitc.gov/scripts/tariff2002.asp (September 2000).

[66] "Gildan Announces Major Manufacturing and Distribution Initiatives to Complete Capacity Expansion to Support $1 Billion Sales Target," Gildan press release, December 7, 2000.

[67] In fact, when we began this research Gildan was not yet producing apparel in Mexico. In our first interview with a Gildan representative in February 2000, Ira Kaminsky, Gildan's Honduran representative, described plans to expand operations to Mexico although did not give precise details of where Gildan's new facilities would be located. Interview with Ira Kaminsky, February 18, 2000.

Under NAFTA, T-shirts knit from cotton or synthetic materials are among the apparel products that can be imported duty free from Mexico into Canada and the US. This allows Gildan to perform more than basic assembly operations in Mexico and still import its T-shirts and other products duty free into the US and Canada. It would not be surprising if Gildan started moving a portion of its textile knitting, dyeing, cutting and finishing operations from Canada and the US to Mexico through the acquisition or construction of a textile facility in the vicinity of its current Mexican manufacturing facilities.

Nevertheless, Gildan will likely keep some of its textile production in Quebec as, in the words of Gildan's CEO Greg Chamandy, "Canada has the most cost-advantaged location in North America for manufacturing textiles, specifically in the province of Quebec."[68] By locating the bulk of its knitting, dyeing and finishing facilities in Quebec, the company benefits from the province's abundant supply of water and low-cost electricity.

It is also interesting to note that Gildan began expanding into the European wholesale market in 2000,[69] the same year that the Mexico-EU free trade agreement was signed.[70] Gildan's Mexican production facilities could play an important role in this expansion. Under the terms of the trade agreement, tariffs on Mexican apparel exports to Europe were to be cut from 35% to 5% by 2003. At the moment, there are no similar trade agreements signed between the EU and countries in the Caribbean Basin.

● CBTPA and Investment in Honduras

With the majority of Gildan's sewing operations located in Central America and the Caribbean Basin, trade agreements between this region and Gildan's major markets – US, Canada, Europe – have a strong influence on the company's manufacturing strategy. Gildan has adjusted its strategy accordingly as the US has established new trade rules for the Caribbean Basin.

In 1999, Gildan CEO Greg Chamandy expressed concern over potential bilateral trade agreements between the US and countries in the Caribbean Basin. Such bilateral agreements could offer preferential trade benefits to Gildan's US competitors and not to Gildan, which has the majority of its textile knitting operations in Canada. For that reason, Chamandy cautioned the Canadian government in May 1999:

> I think the Canadian government really has to be aware of what the Americans are doing behind our backs. Specifically – I'll give you a most recent example – they had the audacity to present legislation in the United States that is called the Caribbean-

[68] Greg Chamandy, evidence presented to the Sub-Committee on International Trade, Trade Disputes and Investment of the Standing Committee on Foreign Affairs and International Trade, May 26, 1999, http://www.parl.gc.ca/InfoComDoc/36/1/SINT/Meetings/Evidence/sintev31-e.htm.
[69] Gildan Activewear, *US SEC Annual Information Form,* February 15, 2002.
[70] Signed July 1, 2002.

> NAFTA parity agreement. They've essentially created a bilateral agreement that gives the Caribbean [Basin] all the benefits of NAFTA, yet they specifically precluded Canada from being a participant in that agreement. I find this very alarming.[71]

It is likely that fears of a US-Caribbean Basin trade agreement that would preclude Gildan products from gaining duty-free access to the US market spurred the company to open its own textile knitting facility in Eden, North Carolina in December 2000. City and county governments offered the company substantial incentives to locate in Eden, though Gildan claims it never took any subsidies.[72]

The US Caribbean Basin Trade Partnership Act (CBTPA) was passed in 2000, granting duty-free, quota-free treatment for apparel produced in the Caribbean Basin from US-made fabric formed from US thread or yarn. Similar exemptions apply to a limited amount of apparel made from domestically produced fabric using US yarn, including a specified quota of T-shirts. Apparel made from Canadian fabric does not qualify for the exemptions under the Act.

Following the signing of the CBTPA, Gildan changed its course. In August 2001, Gildan closed its Eden, North Carolina textile knitting facility.[73] Gildan announced plans to expand its Honduran operations by opening a textile bleaching, finishing and cutting facility in Honduras. The establishment of the new quotas for apparel knitted and sewn in Honduras from US yarn played a role in this decision. According to the company, "Gildan's fabric manufacturing in Honduras is expected to benefit fully from the permissible quotas for such regional fabrics for the foreseeable future."[74]

Gildan's latest *Annual Information Form* confirmed that its new Honduran textile manufacturing facility, located in the Rio Nance industrial park, had begun operation in the summer of 2002, supplied with yarn via a new long-term supply agreement with Frontier Spinning Mills Inc., a major US yarn manufacturer.[75] In July 2002, Gildan's senior manager in Honduras confirmed that the Rio Nance facility would be operating at full capacity by late 2002.[76]

While Gildan was adjusting its sourcing strategy to take advantage of the opportunities the CBTPA offered, heated debate raged in the US about the amount of dyeing and finishing that should or can be allowed in the region under the legislation. In the absence of specific regulations, preferential treatment had been granted to apparel made of US fabric regardless of whether the fabrics were dyed or finished in the US.[77] At the same time, critics such as Senator Jesse Helms held that

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[71] Greg Chamandy, evidence presented to the Sub-Committee on International Trade, Trade Disputes and Investment of the Standing Committee on Foreign Affairs and International Trade, May 26, 1999.
[72] Gildan's January 28, 2003 response to the first draft of this report, on file.
[73] Michelle Cater, "Gildan Shuts Down Eden Plant," *Greensboro News Record*, 10 August, 2001. Even while in operation the plant never delivered on the number of jobs promised, employing only 50 of a planned 236 workers.
[74] "Gildan Activewear Inc. confirms Third Quarter Results," Gildan press release, August 9, 2001.
[75] Gildan Activewear, *US SEC Annual Information Form,* February 12, 2003, and "Gildan Activewear Acquires Second Canadian Yarn-Spinning Operation," Gildan press release, June 27, 2002. Gildan continues to buy US yarn for its Honduran textile operations in Rio Nance to benefit from provisions of the US Caribbean Trade Partnership Act (CBTPA).
[76] Conversation in Honduras with Eduardo Facusse, Gildan Activewear Honduras President, July 18, 2002.
[77] United States International Trade Commission, *Industry Trade and Technology Review* (March 2002).

US trade preferences for CBI textile and apparel goods should only apply if fabrics were finished and dyed in the US.[78]

The approval of the presidential Bipartisan Trade Promotion Authority Act (TPA), otherwise known as "fast track," in November 2001, further put into question the benefits initially extended under the CBTPA. The US textile lobby only supported the bill after House leaders promised that the CBTPA would be altered to require that US fabric used to produce garments in the Caribbean Basin be dyed and finished in the US in order to receive tariff and quota exemptions and that all future trade deals negotiated with Caribbean and Andean nations contain similar provisions.[79] This concession was granted in the final bill approved by the US House of Representatives in July 2002.[80]

Despite these changes, the tariff exemptions remain for a limited amount of knit apparel and T-shirts made in the Caribbean Basin from regionally-knit fabric with US yarn. In fact, higher quota levels for these products have been granted under the final TPA bill.[81] It is possible that all of Gildan's Honduran production could qualify for tariff exemptions under the quota for T-shirts sewn from regionally-knit fabric. According to Gildan's latest *Annual Information Form*, the company has "implemented a manufacturing and distribution plan which we expect will permit us to supply the majority of our geographical markets on a duty-free basis by the end of fiscal 2003."[82]

[78] Mercedes Cortazar, "Efectos de la indecision sobre el terminando, " *La Bobina* (October 2001).
[79] "Retail Federation Slams TPS Textile Deal," *Just Style*, December 12, 2001.
[80] "Controversial Textile Clause Gets OK From Senate," *Just Style*, July 24, 2002.
[81] Quotas on duty-free T-shirt imports from CBTPA nations will rise from 4.872 million dozen for the 1-year period ending 30 September 2002 to 9 million dozen for the 1-year period ending September 30, 2003. The limit will be raised to 10 million dozen for the following year, then to 12 million dozen for each succeeding year until September 30, 2009. "Following Vote by Congress US Raises Limits on Duty-Free Apparel Imports," *Emerging Textiles*, August 5, 2002. "USA: Apparel Makers Debate Implications of Trade Package," *Just-Style*, July 29, 2002.
[82] Gildan Activewear, *US SEC Annual Information Form*, February 12, 2003, p. 11.

Gildan's labour practices

3

As mentioned above, MSN's interests in Gildan's labour practices began long before the CBC Disclosure program was aired in January 2002. In 2000 and 2001, MSN was contacted by several groups in our network, in the Caribbean, in Central America and then later in Mexico with concerns about possible labour rights violations at Gildan facilities, including allegations of verbal abuse and sexual harassment in at least one Gildan-owned facility in Honduras and one in Mexico.

We also repeatedly encountered questions about Gildan's and its competitors' implementation of the 4X4 workweek whereby employees work four 11- or 12-hour days, followed by four days off. Workers and labour rights groups were unclear about the legal implications (for overtime and statutory holidays) as well as the potential impacts on workers' health and family life.

As a result, MSN decided to carry out a more systematic investigation of workers' concerns and to include this research in a broader investigation of the changing structure of the garment industry in the Americas, and approached several local groups to participate in the project. Between October 2001 and March 2002, research on production practices and working conditions in factories owned by or producing on contract for Gildan Activewear was carried out by local women's and labour rights organizations in Central America, the Caribbean and Mexico.[83] In June and July 2002, follow-up interviews were carried out by MSN staff with local researchers. In Honduras additional research was done in December 2002 and January 2003, after allegations arose of violations of freedom of association at one of the facilities where initial research had been carried out. Research was also updated in El Salvador in March 2003.

In this report, we include detailed results of the research in Honduras and in one of Gildan's contract facilities in El Salvador. We also provide a brief description of the results of research at Gildan facilities in Mexico, in which the sample was smaller than in Honduras, though the substantive issues were the same in the two countries.

[83] Through the course of this project, preliminary research was carried out on each of the factories on contract with Gildan in 2001.

I'm Making Less Now Than When I Started

I am 23 years old and have been working at Gildan Progreso for 10 months. I'm married and have two young boys. I decided to work in the *maquilas* because I thought I would be paid well and that my rights would be respected. For the first few months everything was fine, but that's changed. I'm making less in wages now than I was in the beginning, and the targets are higher than at the beginning so there's more pressure.

When you pass the two-month mark, they do a pregnancy test. They give you a small plastic cup and, if the result is positive, they fire you. They are clever about it. They don't say they are firing you for being pregnant, but instead they mark down "reduction in staff" because it is not permitted to fire or mistreat women who are pregnant. After five months of working, I got pregnant. They are reluctant to let those of us who are pregnant to go for our monthly check-ups. When a woman is at that stage – pre- or post-maternity – she's seen as a waste of time, but they have to pay her and respect her rights

At first, I was earning more than Lps. 700 per week, but now I am expected to produce more and only make Lps. 500. Instead of a salary increase, our earnings have gone down. Five hundred lempiras is not enough for me. I pay Lps. 300 for the house, Lps. 200 to have my children looked after, more than Lps. 200 for food, and Lps. 100 per week to get to and from work.

Now that we have new management they say things are going to improve. We are waiting to see if it's true, but I doubt it. I am happy that the previous personnel manager is gone. That guy was intolerable. He yelled at us for nothing. The [previous] general manager was a good person. If there was an emergency and you talked to him, he would give you permission to leave. Now it's really terrible. If you ask for a day off or miss work for being sick, even if you have a medical note, they always deduct your pay for that day and for the seventh day. If you arrive late, they deduct minutes or send you home without pay.

When they ask me to work the next [four day] shift I always do it so I can earn a little more, especially now that my husband is out of work. This week I worked an extra three days.

I get up at 4:00 a.m. and at 5:30 a.m. I am on the bus and then start my work day at about 6:45 a.m. I take my own food to work in order to save money. The cafeteria food is expensive – Lps. 25 for a meal – and added to that is the money I have to spend on transportation.

I suffer really bad headaches and one of my eyes bothers me; it throws me off a bit. I've told the doctor at the company clinic about it, but he always says it's nothing serious and that I should go back to work. Why am I paying Lps. 27 a week for IHSS?

There are young guys working in the factory and they work as hard as everyone else. At Gildan no one has any privileges. From what I hear about the law, these young guys should be allowed to leave early so that they can go to night school. Nobody here can study or try to excel.

I would like to work at a factory with regular hours so I could arrive home earlier, spend time with the kids, and not work Sundays. I'd love to stay home and take care of the kids, so until that changes I'll keep working here or in another factory.

Interview date: September 2002

A. Honduras

In Honduras, the Honduran Independent Monitoring Team (EMIH) carried out research on production and labour practices in two of Gildan's Honduran factories:

- Gildan Activewear, in ZIP Porvenir, El Progreso, Yoro; and
- Gildan Activewear San Miguel, in ZIP San Miguel, Choloma, Cortés.[84]

Interviews and focus group discussions were carried out with approximately 30 workers from each factory. As well, researchers interviewed employees at the Ministry of Labour and representatives of the Honduran Maquiladora Association and local unions.[85]

According to the Honduran Apparel Manufacturers Association Directory (2002 – 2003) Gildan Activewear El Progreso employs 2,200 workers and Gildan Activewear San Miguel employs 846 (although this latter number has reportedly increased to 1,300 since the factory moved to new premises in July 2002). According to workers interviewed, the majority of workers in both facilities are women. Production is organized on a team modular basis. Working hours are based on the 4X4 schedule, with two shifts for every eight-day period. Workers' regular shifts are 11 hours for four consecutive days, followed by four days off.

Interviews and focus group discussions were carried out outside the workplace and without the knowledge of management. The EMIH researchers also visited workers' communities and homes in El Progreso and Choloma. The researchers previously had contact with workers at Gildan factories as part of their work with local human rights organizations and thus already had gained a level of trust. Workers were assured that the interviews would not be used in a manner that would jeopardise their employment.

While those selected for interviews did not represent a random sample of employees at the two factories, we believe the issues and concerns documented through the research process reflect the general concerns of Gildan workers.

● Key Issues

Low wages and intense pressure to increase production output were the two principal problems identified by the workers interviewed. Workers consistently reported that wages did not meet their basic needs, that there was considerable pressure to maintain and increase production, and that targets were extremely difficult to meet. Many reported that production demands at Gildan were more intense than in other factories.

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[84] Gildan operates three sewing plants in Honduras, in San Pedro Sula (43,000 sq. ft), in El Progreso (73,000 sq. ft) and in Choloma (34,000 sq. ft). All three are operated in leased facilities. In a July 4, 2002 conversation, former Gildan VP of Corporate Affairs, Mackie Vadacchino, reported that the San Miguel (Choloma) facility would be moved to a newer, larger leased factory, also in Choloma. EMI researchers confirmed that the San Miguel facility has moved to the Choloma Industrial Park, located in the colonia La Mora in the municipality of Choloma, Cortes. As mentioned above, Gildan has recently opened a textile facility in Rio Nance, just north of Choloma. While Gildan has in the past used contract facilities in the San Pedro Sula area as well as in an industrial park near Tegucigalpa, at present Gildan's production needs in Honduras seem to be met by its own facilities.

[85] Details of the research are documented in "Gildan, Subcontratistas y otras Fabricas / Flexibilizacion de la Jornada de Trabajo," Honduras: EMIH, April 2002, unpublished report (on file at MSN office).

People Suffer and Leave Exhausted

I am 21 years old and have worked at Gildan for two years. I went to that Industrial Park to look for work because my family's economic situation was very difficult and I wanted to try my luck.

It was a Tuesday, and there were about 30 people that were looking for work. They gave us a number and called us forward in groups of five. When my turn came, they took me to the big room where they do eye tests. You have to try to follow the lines with your eyes and locate them in the correct squares. You only have five minutes to do it, so thank God I was able to concentrate and pass the test. I also passed the other test where you have to move little screws from one side of the table to the other really quickly. It's a way to check how skilled we are with our hands. I passed the two tests and got sent to an interview with the Gildan personnel manager.

My first contract was temporary… you only get an indefinite contract after two months. But before that, you have to pass a pregnancy test. If the test results are positive, you don't get the contract. You're fired.

Since I had really quick hands, I was placed on the production line from the beginning. At that time the target was 100 dozen, which was very hard, but I pushed myself and made it, because I didn't want them to fire me. When we could make that, they raised it to 150 dozen, and then raised it again. It's now double that.

We start work at 7:00 in the morning. I wake up at 4:30 a.m., get ready and then walk 30 minutes to the place where I take the bus at 5:30 a.m. We have a 15-minute break, but, to be honest, we never take it because the pressure to reach our target is so strong. At lunch, we eat as fast as we can and go back to work right away. On the one hand you have the bosses, and on the other, your very own co-workers who get mad if someone is slow.

There are problems with health services. We have a doctor and a nurse, but the doctor doesn't come on Sundays. So, you can't get sick on that day, or if you do, you just have to deal with it. On weekdays the doctor does see people, but he doesn't give out any medication because there isn't any left. You only get to go to the social security clinic when you are on your deathbed.

It's not that I'm complaining. People suffer and leave very exhausted, but they put up with it. Why? Because of the money. It's hard here, but at least better than my last job. My wage here allows me to have access to things that I couldn't have before. I have a daughter now. I pay Lps. 200 for my room and Lps. 200 to have my little girl looked after. Then I buy the food and use a little bit for transportation and lunch in the factory. If there is anything left over, I buy something for my daughter. Even though I want to save something, it's impossible. Sometimes I do a full extra shift in order to make more, especially when my daughter gets sick and we need extra money for medication.

Sometimes you can negotiate with the person that does the same job as you on the other shift. It's like we come to an agreement. If she can't go to work because of some problem, she'll look for me and I'll cover the shift. I could do the same, but I never have. I need to work and can't rest. However, you usually don't get overtime when you want, only when the factory needs you for an emergency or when they fire people or someone has been given some time off.

I work for my daughter because I want her to have everything I didn't have. I want her to be happy.

Interview date: January 2002

Moreover, despite Gildan's claims to the contrary, women workers in both plants believed that the company carries out pregnancy testing. Workers were also critical of health services, food and company transport, and they described instances of gender discrimination.

Given recent events, freedom of association is obviously another key concern of workers at Gildan factories in Honduras. In November 2002, close to 45 workers were fired ten days after filing an application with the Ministry of Labour for registration of a union. Interviews with fired workers carried out by EMIH at MSN's request indicated that those workers believed that they were fired for signing the union application document, and that they were not paid the full severance pay they were entitled to.[86] In initial interviews (October 2001 – March 2002), workers reported fears that they would be fired if they attempted to form a union.

Compensation:

The most consistent complaint was that wages did not meet workers' basic needs and were not at a level appropriate to the work performed.

One problem is that the 4X4 system of production (4 days at 11-11.5 hours per day) causes confusion regarding payment of overtime, Sundays and statutory holidays.[87]

Workers also claimed that if they worked extra days in the following "shift," they were compensated as if those were normal workdays, and were not paid the legal overtime rate.[88] Unfortunately, Gildan pay slips do not clarify the situation.[89]

According to pay slips gathered in November 2001 and then in March, June, August, September and October 2002, operators' weekly earnings for four 11-hour days – before deductions and before the addition of overtime and bonus payments – ranged from Lps. 528.50 (Cdn.$49.39 or US$32.40)[90] to Lps. 688 (Cdn.$64.29 or US$42.18)[91] Standard deductions for national health coverage varied between Lps. 22 and Lps. 31. There were also deductions for contributions to a co-op fund and for

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[86] EMIH report on file.

[87] Workers complained that if their shift fell on a Sunday they were not compensated at double time rate for working their legal "rest day" (dia de descanso). Honduran law (Article 338) states that for every six days of work, the employee is entitled to one day of rest, preferably on Sunday. However, the law stipulates specific cases in which the rest day can be other than a Sunday, including where there is a "urgent" and "evident" need to maintain work continuously and where the interruption of work on Sundays would create difficulties [ocasionar graves perjuicios] to the public interest and/or health. One consistent finding of this research is that because Honduran labour law assumes an 8-hour day and 5½-day workweek, the legal requirements regarding various aspects of the 4X4 system are ambiguous.

[88] Workers interviewed said it was not uncommon for employees to work additional days on the following shift after their four-day week and/or a full additional four-day shift (ie eight 11-hour days straight without a break). This is corroborated by pay slips gathered during the interviews. Obviously this raises questions about the employer's argument that workers are able to rest four days following four intensive days of work. It would also reinforce concerns as to whether Gildan is properly compensating workers for statutory holidays and/or overtime.

[89] Some time after March 2002, Gildan pay slips began to provide more detailed information on payment, including bonuses. According to Gildan, this was an outcome of WRAP implementation. However, calculations for overtime ("Extra_Pd") are not detailed, and thus it is impossible for workers or researchers to assess the basis for calculation of overtime payment.

[90] The exchange rate between Lempiras and US and Canadian dollars is based on the rate on July 7, 2002: Lps. 16.31 = US$1. 00. Lps.10.70 = Cdn.$1.00, except when otherwise noted.

[91] This figure is calculated on the basis of production (or piece-rate), although if the total owing is less than the minimum wage, Gildan makes an "adjustment" up to the legal minimum. In 2001 the legal minimum was Lps. 489. In 2002, it was Lps. 528.50.

a new scheme called Plan 100, which provides workers access to a loan plan against their severance owed.[92]

Workers are able to increase their weekly take-home pay in two ways – through production bonuses and working overtime, most commonly, according to those interviewed, by adding extra days to their workweek.[93] Workers also reported working overnight shifts, most commonly on the last day of their four-day shift.[94] During the period for which we have pay slips, workers earned as much as Lps. 512 (Cdn.$47.85 or US$31.39) in overtime pay per week, as compared to Lps. 140 (Cdn.$13.08 or US$8.58) in bonuses.

Weekly production bonuses are calculated on the percentage of the production target realized by the work team. Bonuses are paid on a weekly basis and the amount paid is based on the average production over the four days. Based on interviews with workers, researchers estimate that few teams consistently reach the 100 percent production target and that it is more common for teams to reach between 60 and 80 percent. Researchers also noted that it is not uncommon for workers not to earn any bonus pay some weeks. This would seem to be corroborated by pay slips on file. At San Miguel, production bonuses combined lunch coupons with financial bonuses.

A study carried out by the "Secretaría de Trabajo y Seguridad Social" (STSS) (Labour and Social Security Ministry) covering the first five months of 2002 found that a Honduran family[95] needs Lps. 3,409 per month (Cdn.$318.60 or US$209.01), or Lps. 792.79 (Cdn.$74.09 or US$48.61) per week, simply to cover their basic food needs (Canasta Básica de Alimentos).[96] The Secretaria also determined that a family needs an average of Lps. 10,750 (Cdn.$1,004.67 or US$659.10) per month, or Lps. 2,500 (Cdn.$233.64 or US$153.28) per week, in order to satisfy the basic necessities of life (Canasta Básica de Necesitades),[97] which include expenses such as transportation, health, education, etc.

Based on workers' pay slips on file, it appears that the average weekly salary (before deductions, and/or the addition of bonuses and/or overtime pay) was Lps. 554.65 (Cdn.$51.84 or US$34.00).[98] With overtime and bonuses, the average gross pay jumped to Lps. 822.95 (Cdn.$76.91 or US$50.46) per week.[99]

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[92] Workers interviewed expressed confusion about Plan 100 and its implications for future severance payments.

[93] In our January 24, 2003 meeting with Gildan representatives, Mackie Vadacchino categorically denied that workers ever work additional days on a second shift. However, follow-up interviews with several workers confirmed again that this is a common practice. In its January 28, 2003 comments on the first draft of this report, Gildan reported that, "our company recently (July 2002) implemented a mandatory maximum of 16 hours overtime per week."

[94] Workers reported working overnight shifts in both December 2002 and January 2003. Testimonies document workers working through to 3 a.m. and then having to wait until 6 a.m. for transport home.

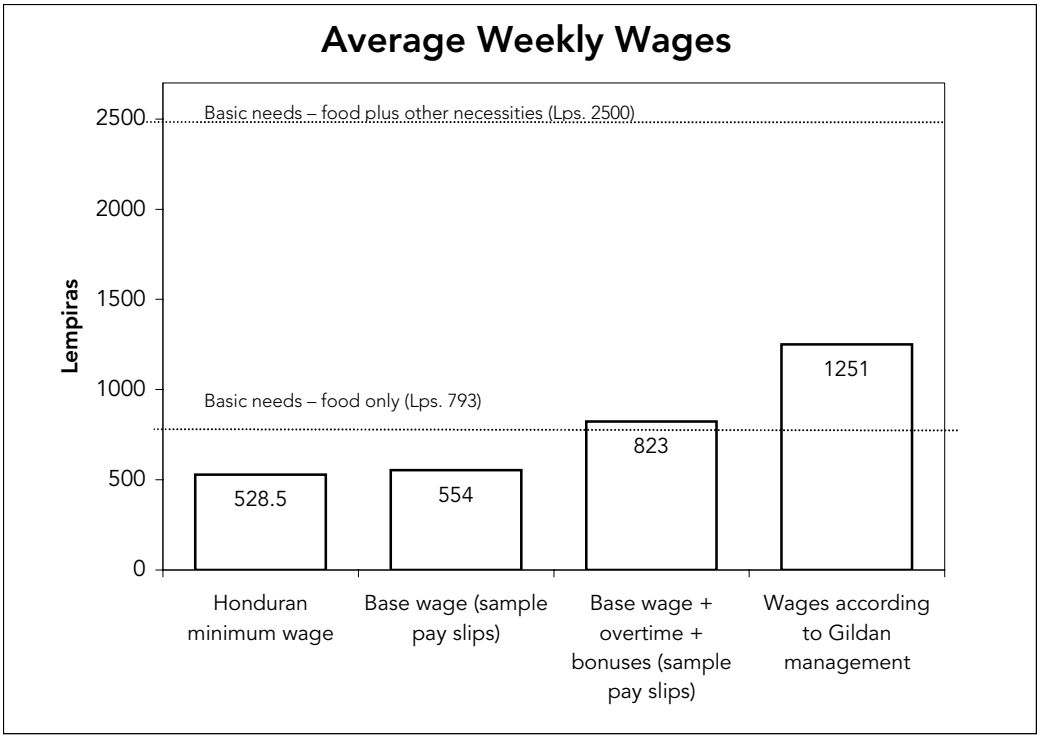
[95] Honduran family is calculated on the basis of 5 persons.

[96] "Mas de un millón de trabajadores no cumplen sus necesidades alimenticias" *El Heraldo Económico*, 2 de julio 2002. This figure is an average cost based on food prices in the first five months of 2002, however it's worth noting that costs have increased since then. We can assume the new figure, which will be released in June 2003, will be higher.
It is interesting to note that the union centrals are currently (March 2003) putting forward a proposal to raise the minimum wage in Honduras to Lps. 3,420 per month. "Se rompen negociaciones por el salario mínimo", *Economia, La Prensa*, Martes 4 de febrero de 2003.

[97] "Apenas un 35.5% de los hogares satisfacen las necesidades vitals," *El Heraldo Económico*, 12 de febrero de 2002.

[98] Calculated on the basis of 4.3 weeks per month.

[99] These figures clearly represent daily rates substantially lower than the Cdn.$23 figure provided by Gildan in response to the CBC Disclosure program in 2002. It seems that before overtime or without bonus payments, workers are earning approximately Cdn.$12.96 per day calculated on the basis of four 11-hour days. In their January 2003 response to our draft report, Gildan once again asserted that wages at their Honduran facilities were significantly higher than represented in our report. Gildan maintains



Based on a calculation of 4.3 weeks per month.

In response to our concern about a "basic needs wage," Gildan responded: "It is… important to note that we are providing jobs for a level of employee that would otherwise probably not be employed due to their level of education and the current high level of unemployment. We must also be honest in our assessment; these types of jobs (sewing operator) even in Canada or the United States do not earn sufficient wages to meet the basic needs of a family.…"

When asked what was most striking about the interview process, researchers described how affected they were by visits to workers' homes, seeing the poverty in which workers and their families lived and the creativity that they employed to stretch their meagre resources to provide food and shelter for themselves and their families.[100]

Obviously, given the wide discrepancy between Gildan's claims and the testimonies of workers interviewed for this study, an independent investigation of Gildan's payroll is warranted.

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that it pays its "fully trained sewing operators" the equivalent of Cdn.$28.75 per day. MSN followed this up with queries about whether in fact those interviewed for the study were new to Gildan. Researchers confirmed that workers, whose pay slips we have on file, all had between one and three years experience at Gildan.

Media coverage concerning a Gildan contact factory in Haiti provoked a similar disagreement about wage levels paid to Gildan workers. The factory owner's claimed that workers made US$7.20 a day, and triple that if they reach 100% of their production target, is disputed by local researchers contracted by MSN who claimed the workers were paid about $1.25 a day. ("Sweatshop made Strickland T-shirts: Latest Allard salvo leaves Democrat with egg on face," *Rocky Mountain News*, September 14, 2002.)

[100] Interview with El Progreso research team, July 2002.

Production Targets:

While Gildan management claimed, in response to charges made on the CBC Disclosure program, that there are no production quotas in any of its factories, Gildan workers interviewed referred repeatedly to "metas" that are expected to be completed per shift and which – along with overtime – are crucial if workers are to earn enough to survive. "Metas" may be more properly translated as "targets" or "goals" rather than "quotas." However, like quotas they function to push workers to produce more in less time.

Since all pay – normal and overtime – is calculated on the basis of production, the pressure to produce is constant. The modular or team organization of work adds another dimension – pressure from workers' colleagues. Workers described feeling pressured by their fellow team members to produce more quickly and to exceed production targets and/or the previous day's production. The result, according to many of those interviewed, is that many workers reportedly work over their break and lunch periods. According to one worker interviewed, "No one is able to keep up, and this creates a lot of pressure among the workers." Workers claim that supervisors pressure the workers to speed up production in order to reach the targets, which in March 2003 were reported to be approximately 330 dozen per day.

According to EMIH, it is very common in the maquilas in Honduras to increase production quotas or targets without having carried out time-motion studies that, in addition to looking at productivity questions, also take into account occupational health and safety issues.[101]

Pregnancy and Drug Testing:

Despite Gildan's claims to the contrary, the workers interviewed – like those interviewed by CBC – believe that the pre-employment urine tests they were subjected to were for pregnancy.[102] Workers also reported that urine tests were carried out once again after their two-month probationary period. At Gildan El Progreso, workers reported that if workers tested positive for pregnancy, they were let go, although the dismissal slip (*hoja de despido*) says that the company has had to make staffing cuts ("*se debe a rebaja de personal*"). Workers believed that urine tests were also for HIV/AIDS and "drugs" and that if the results were positive for either, workers would be dismissed. In Honduras pregnancy testing is prohibited under

[101] Interview with research team, March 2002.

[102] This complaint has plagued Gildan in the past as well. In 1997, Gildan commissioned a "gender and development" survey of their maquila in San Pedro Sula, with funding from the Canadian International Development Agency's (CIDA's) Industrial Cooperation Program (Canada-Honduras). The report indicated that, although working conditions were relatively good, women workers were in fact screened for pregnancy testing by the industrial park management as part of the pre-selection process (which also included skill and visual tests. The report recommended that "[t]he practice of testing women for pregnancy should be abolished … [M]anagement should inform the human resources department at Zip San Jose [previous industrial park location] that they do not support this practice. This will create a positive example and a sensibilization to other companies ..." The report also recommended that Gildan provide training on AIDS prevention.

Article 46 of Honduras' new Equal Opportunity Law for Women, passed in April 2000, as is discrimination against workers with HIV/AIDS (Article 47).

As we have seen, Gildan claims that urine tests required of new employees in its offshore factories are for drug use, not pregnancy.[103] According to Gildan, "we do perform drug tests to comply with our Code of Conduct and one of the WRAP principles, related to drug interdiction. This ensures that our shipments are drug free, worldwide."[104] However, even if Gildan's claims are in fact correct, the question remains as to whether compulsory drug testing for new employees is acceptable. The Canadian Human Rights Commission (CHRC) defines pre-employment drug testing as an unacceptable "discriminatory practice" on the grounds of disability. If an individual has been denied employment "as a result of testing positively for past drug use," that person may file a complaint under the Canadian Human Rights Act (CHRA).[105] Perhaps most importantly, this points again to the gulf between Gildan's claims and workers' perceptions.

Freedom of Association:

Workers interviewed between October 2001 and March 2002 reported instances of workers being threatened and/or fired for attempting to organize a union. We were not able to confirm firings for union activity as these accusations refered to an incident that happened in El Progreso in 1999 when six workers believed they were fired for attempting to form a union, although their dismissal letter (*hoja de despido*) referred to "personal reasons" for letting the workers go. However, all workers interviewed between October 2001 and March 2002 expressed "fear" that they would be fired if they organized or joined a union.[106]

In interviews carried out in January 2003, former employees at the Progreso plant who had been fired in November 2002 also said they believed they were fired for attempting to form a union.[107] As mentioned earlier, 45 union members were fired on or around November 24, ten days after their signed application was filed with the Ministry of Labour. One union member who was not fired was reportedly pregnant; firing of pregnant workers is illegal. Most of the workers interviewed believed someone had given the employer the list of workers who had signed the application for union registration.

According to the workers interviewed, no one received a dismissal notice or anything in writing. One worker claimed she was asked several times by the Personnel Director if she was a member of the union. After asking why he was being

[103] In March 2003 we received reports that Gildan had replaced urine testing with blood tests.
[104] January 28, 2003, Gildan's comments on the first draft of this report.
[105] Canadian Human Rights Commission Policy on Alcohol and Drug Testing, July 12, 2002, www.chrc-ccdp.ca.
[106] Honduras signed ILO Convention 87 regarding freedom of association and the protection of the right to organize a union in 1956. The Honduran labour code also guarantees freedom of association and establishes fines for those companies that "threaten" or "impede" this right.
[107] At MSN's request, EMIH carried out interviews between January 8-12, 2003 with 12 of the union members who had been fired on November 24, 2002. All of the workers interviewed had been employed by Gildan for more than one year, and half of them for over two years. According to the list of union members, four of the fired workers had worked for Gildan for more than three years, and one for more than four years. Fired workers were difficult to contact, since many had moved on to other jobs.

fired if there were no complaints about his work, another worker says the Personnel Director replied: "You know why we're letting you go."

Some of the fired union members complained that unlike the "normal practice for terminated workers," they were "treated like criminals" and immediately escorted off the property and out of the industrial park by a security guard. Few of the fired workers expressed interest in pressing for reinstatement. Most said that they could not afford to wait through a lengthy legal process for a settlement, particularly because they were let go just prior to the Christmas break, and so had decided instead to take the severance pay offered by the company. Others indicated they would not want to return because of what they regarded as bad treatment by supervisors.

None of the workers interviewed believed that they had been paid the full severance pay to which they were entitled. MSN received a signed statement from a Ministry of Labour inspector stating that that she had been denied entry to the factory to review the severance calculations, and that in response she had issued three formal requests for a meeting with the company but that Gildan had not responded to any of the three requests.

All of the workers interviewed said they supported the union because it would defend their rights or improve conditions or benefits. "The company treated us like garbage," said one former employee.

After November 24, EMIH received reports from workers who continue to be employed at the Progreso Gildan plant of supervisors telling workers that signing up for the union was the reason people were fired in November, and of statements by the Production Manager that organizing a union will not be permitted in the factory.

EMIH reports that labour rights organizations often receive enquiries from maquila workers as to whether it is legal to organize a union. Many workers are unaware that this right is recognized in the Constitution, the Labour Code and the Conventions of the International Labour Organization.

Speaking generally about violations of freedom of association in the maquilas of Honduras, the respected anthropologist and writer Father Ricardo Falla has stated, "[U]nionization is prevented, unjustified suspensions and dismissals are issued, the Ministry of Labour shows favouritism to the companies, and sometimes workers face direct repression by their immediate bosses."[108]

● Other Issues of Concern

Health and Safety:

Workers at both facilities complained of health problems associated with long hours of intensive, repetitive work. The most common ailments include repetitive

[108] Ricardo Falla, "Maquila: la golondrina de los huevos de oro," *Envio, Revista Mensual de la Universidad Centroamericana (UCA)* de Managua, Nicaragua, p. 23, No 185, August 1997. Translation by MSN.

strain injuries, pains in the back, neck, bones, feet, and wrists, as well as gastritis, and stress.

At the San Miguel plant, workers described health problems that could be associated with air quality, such as sore throat, asthmatic cough, and sinus problems.[109]

Workers noted that the most common accidents are needle punctures (through their nails or skin), which they attributed to the pace of production and high production targets. There have been rare occasions when workers have lost fingers using machines with blades.

Another common complaint, especially from women workers, was fatigue. They said the combination of 11 hours work in the factory, household chores, crowded transport, and then walking between bus and home for what can amount to two hours per day leaves them completely exhausted.

Several workers interviewed commented on the inadequacies of company health clinics. Workers complained that the El Progreso clinic are inadequately supplied and "only give out pills." Also, they complained that the doctor is not available on Saturdays and Sundays, both of which are regular work days at Gildan since the factories are in full operation seven days a week.[110] In El Progreso, the nurse is available 9 a.m. to 5 p.m. and in San Miguel between 7 a.m. and 3 p.m.

In the interviews, workers reported that they preferred not to go to the public health clinic because if they did they were reprimanded by the factory management, and in some cases their work assignments were changed, which then had economic consequences. Workers also faced complaints by other members of their team (modulo), because of the impact of their absence on production, which adversely affected the wages of the whole team.

Maternity:

Several issues related to Gildan's dealings with pregnant women and nursing mothers came up in the interviews although it wasn't always clear that workers agreed on a common complaint or alternative proposal. One concern related to the one hour off per day that workers are legally entitled to for breastfeeding.

According to Honduran labour law, nursing mothers have the right to one hour each workday for breastfeeding.[111] The law also stipulates that companies with over

[109] Based on conversations with Gildan management (in Canada and Honduras) and confirmed by local researchers, we know that the San Miguel facility moved in August 2002 and is now operating out of a larger, more modern building. Some of these complaints thus may no longer be valid.

[110] In response, Gildan wrote: "As far as the in-plant clinics having only a nurse on weekends, again, we point out that this is a company benefit where we are not obliged to have a clinic at all, or even a nurse. We choose to do it because we believe in the well being of our employees, yet we do have financial limitations to respect as to the amount of voluntary benefits we can offer." (January 28, 2003)

[111] Article 140, stipulates that the company is obligated to provide a nursing mother two rest breaks of 30 minutes each, during each "jornada" [work day of eight hours] in order to nurse her child, one break in the morning and the other in the afternoon, without any deduction in salary, during the child's first six months. According to the labour code, companies are obligated to establish a space for mothers to nurse and/or take care of their children. Gildan claims the current law is impractical, and that they give the worker the option of choosing an hour off or an extra hour's pay, whichever is more suitable to the employee.

20 employees should provide a nursery.[112] There is currently no nursery at either factory, which is perhaps the more fundamental problem. And, given the complications of transport, it is likely that it would be difficult for workers to realistically arrive an hour late or leave an hour early.[113]

Team pressure to maintain production is also an issue here. When nursing mothers do leave for their hour, it leaves their team short, which – given the high targets – can result in a significant loss in take-home pay.

Many workers described problems related to production targets and pregnant women and/or nursing mothers. We received two main, perhaps somewhat contradictory complaints – that pregnant women are expected to reach the same targets as other workers and also that pregnant workers are grouped into teams with other "less productive" workers, with the result that they aren't able to earn what they need through achievement of production bonuses. This latter practice is seen by workers as a form of punishment and perhaps a subtle hint that it would be better for them to quit their jobs. Obviously, this issue looks differently depending on whether it is seen from the perspective of a pregnant and/or nursing worker or a team-mate desperate to maintain the highest production output.

Clearly Gildan needs to make special efforts to deal with the situation of pregnant workers and nursing mothers so that they are not penalized, in terms of their ability to achieve production bonuses, which are essential for survival.[114]

Sexual Harassment:

If the company does have policies and/or complaint procedures for dealing with sexual harassment, workers interviewed were not aware of them.[115] Workers were, not surprisingly, reluctant to talk about the issue. Education and appropriate complaint procedures are very important in dealing with sexual harassment.[116]

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[112] Article 142 of the Honduran Labour Code stipulates that all companies that employ more than 20 workers are obligated to provide a space where mothers can nurse their children (under three years of age) and leave them, during working hours, in the care of a person paid for by the company.
It is worth noting that the 1997 study prepared for Gildan and CIDA, entitled "Gildan Activewear, Women and Development and Gender Equity," also recommended that Gildan follow local labour legislation and set up a day care. In our January 24 meeting, Vadacchino denied knowing that this law exists.

[113] In fact, Vadacchino commented that most workers decide to take an additional hour's pay. However, given the complications with transportation services and workers' desperate need for additional income due to the failure of employers to pay a living wage, it is not clear whether workers have a real choice. (January 28, 2003)

[114] Gildan comments, "We do not believe being pregnant incapacitates our female employees to perform their regular job, yet there are exceptions to the case, which we manage one by one." (January 28, 2003)

[115] Gildan claims that it has a policy "in place whereby all supervisory level personnel sign a mandate in which they state they are forbidden to use sexual harassment and that they understand that they will be fired if they do" and that the policy is posted in all Gildan facilities and that the company encourages workers to report any concerns "through the open-door system." They also claim that these policies have been "reinforced during the WRAP certification process." (January 28, 2003) In March 2003, MSN received a copy of the Gildan Activewear "Honduras Employment Manual" (Manual del Empleado), which states that Gildan guarantees a working environment free of sexual harassment as well as other discriminatory practices, however the manual does not detail how to deal with problems if and when they arise.

[116] The researchers have acted as facilitators in gender rights training workshops, which dealt with sexual harassment, involving workers from different factories in the area. In this safe environment, workshop participants would reveal incidents of sexual harassment by management personnel, including touching, inappropriate sexual comments, and threats by supervisors interested in having a sexual relationship. Because of the prevalence of these practices the maquilas in Honduras, the researchers believe Gildan should actively implement a program to ensure a harassment-free workplace.

Under-Age Workers:

Workers at both factories claimed Gildan employed young workers (16 and 17 year olds) and required them to work the same 11-hour shifts as other workers in violation of Honduran labour law.[117] It was also reported that under-aged workers sometimes use papers borrowed from friends or relatives in order to get work. We mention this not to suggest that Gildan should refuse to hire workers under 18, but rather that Gildan should comply with the law, register the workers and make adjustments in its production schedule to accommodate legal hours of work requirements for young workers.[118] In Honduras, according to a 1992 study by the National Statistics Institute (INE), 64.5 percent of families live in poverty with the result that young people are desperate to work.[119] Many young women are already mothers by the age of 18.[120]

Age:

At both plants, workers commented on discriminatory hiring policies against "older women." This complaint is not unique to Gildan but represents a serious problem for experienced women workers in Honduras, many of who are sole supporters of their families, and is one that needs to be addressed by factory management in Honduras.[121]

Fire Exits and Protective Equipment:

Workers at San Miguel mentioned that personal protective equipment, such as facemasks, is rarely used, which reportedly is a common practice in most of the maquilas in Honduras. They commented that the masks are annoying and, perhaps more importantly, that they weren't familiar with the health and safety regulations. At the time of the research, workers claimed that two emergency exit doors were locked during working hours, though it is possible this practice has changed now that the workers are in a new plant. At El Progreso comments were more positive, and workers mentioned that they had had training on exiting in case of a fire.

Honduran health and safety regulations apply to both employers and workers. They require the establishment of health and safety committees to promote the use of personal protective equipment by individual workers, as well as the implementation of preventive measures at the collective level. According to EMIH,

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[117] According to Honduran labour code (Articles 127 – 131) and the Child and Adolescence Code (Article 125), companies that hire workers under 18 must request permission through the Ministry of Labour. Workers over 14 and under 16 years of age are required to work no more than four hours per day while workers between 16 and 18 years of age can work up to eight hours per day. In both cases the cap on hours poses a problem for Gildan's 11-hour day regime.

[118] Gildan claims it does not hire workers under 18 years of age. (January 28, 2003)

[119] According to the researchers, young people in Honduras have to work due to economic necessity, but at the same time, they want and need to pursue their education in order to escape poverty. The 4X4 system makes it impossible for them to satisfy both these needs.

[120] "Apenas un 35.5% de los hogares satisfacen las necesidades vitals," *El Heraldo Eononómico*, 12 de febrero de 2002.

[121] Gildan claims it does not discriminate on the basis of age.

it would be important to verify whether Gildan is complying with these regulations by providing adequate personal protective equipment and initiating aggressive campaigns to promote their regular use.[122]

Knowledge of Codes of Conduct and Monitoring:

Workers interviewed were equally unaware of codes of conduct. They were, however, aware that people visit the factory on a monthly basis to "check on the work," but said they talk primarily with workers selected by management.

A few months before being interviewed for this report, some of the workers were informed that the company was going to work with something called WRAP, but they didn't know what that was.

● Work Shifts – the 4X4 Controversy

Production in both plants is organized on a modular basis, and work shifts are organized on the 4X4 system, in which workers work regular shifts of 11 – 11.5 hours a day for four consecutive days. Regular hours of work are 7:00 a.m. to 6:30 p.m. for a total of 46 hours a week. Workers are permitted a half-hour lunch break and two 10 or 15 minutes breaks in the afternoon.

These four days of long hours of intensive work are followed by four days off, although – based on worker interviews as well as pay slips on file – it would seem that it is common for workers to work additional days on the second shift, either replacing workers who are away sick for one or two days and/or working a full second shift.[123]

According to Eduardo Facusse, President of Gildan Activewear Honduras, workers prefer the 4X4 system because it gives them four consecutive days off to take care of their children and spend time with their families.[124] While acknowledging that many workers are in favour of the 4X4 system, EMIH researchers point to a number of problems associated with 4X4, which were expressed in individual interviews and focus group discussions, as well as legal issues raised by an employee of the Ministry of Labour.

As mentioned previously, one major problem is that under 4X4 workers must often work on Sundays, which in Honduras is assumed as a legal "rest day" (*dia de descanso*). However, it seems that the law is ambiguous on this question in that it assumes Sundays as the legal rest day, but apparently does not designate Sunday a

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[122] According to Gildan, "We provide our workforce with free protective equipment on a regular basis. Dust masks are freely available every day, we provide protective equipment for anyone who manages chemicals or works in an area where protective equipment is needed. Our company has a policy that regulates the use of this equipment. Gildan has health and safety committees at every facility that meet on a regular basis to address the issues that are brought up in relation to the workplace environment of the factories. These committees also get involved in continuous training for all operators to promote use of protective equipment and educate them on all policies that the company has set in place. Again, these areas were further reinforced during WRAP implementation." (January 28, 2003)

[123] EMIH researchers interviewed one worker, who has since left Gildan, who was regularly working two shifts a week – in two different Gildan plants – in order to make enough money to provide for himself and his family.

[124] Discussion with MSN Coordinator, March 15, 2002 in San Pedro Sula.

statutory holiday. Depending on which shift workers are on, workers could work as few as one Sunday in a four-week period, or as many as four Sundays in a row as the chart from the end of January and February 2002 at El Progreso illustrates. Sundays are indicated in bold.

Shift		Week 1	Week 2	Week 3	Week 4
A		**27**, 28, 29, 30	4, 5, 6, 7	12, 13, 14, 15	20, 21, 22, 23
B		31, 1, 2, **3**	8, 9, **10**, 11	16, **17**, 18, 19	**24**, 25, 26, 27

In the regular workweek system (Monday to Saturday), workers who work Sundays have the legal right to double time pay,[125] however given the ambiguity of the law, there seems to be no obligation on the part of companies to pay double time in the 4 x 4 system, except in exceptional circumstances in which an employee works seven consecutive 11-hour days. Apart from the question of whether double time pay for working Sundays is legally required, it is equally important to consider the impact of regularly working Sundays in a country where Sunday is a religious holiday.

Another problem with the 4X4 system identified by workers interviewed is the lack of opportunity to care for and spend time with their children during the four long workdays. When workers leave for work, their children are asleep, and when they get home, they are already in bed. One person interviewed put it this way: [The 4X4 system] "is definitely contrary to the idea that you need time to rest each day. Instead you're forced to abandon your family; it affects relationships in the home."

As stated above, the 4X4 system also impacts negatively on workers' ability to complete their education. In a CODEMUH-sponsored worker rights training seminar, one participant noted that if you work the 4X4 system, you aren't able to study, since no educational institution will accept that you can be there four consecutive days, but can't attend the following four days. "For me, it's important to be at this weekend seminar," the worker said, "but I won't be able to attend the next one because my shift falls on a Saturday and Sunday."

Moreover, workers pointed to the consequences for their children when the earnings of one person don't meet the needs of the whole family, and as a result all family members – father, mother, brothers, sisters, among others – must work everyday. Obviously, this has an impact on the quality of family life for the family members who work under the 4X4 system and who are supposed to be "resting" during four days off. Interviews carried out seem to indicate that economic pressures prevent workers from resting during their four days off. They are either working in the informal sector or seeking extra days in the next Gildan shift.

Workers also pointed to dangers to personal safety going to and from work in darkness; and health problems associated with long hours of intensive work, such as repetitive strain injuries, headaches, pains in the back, neck, hands and feet, and

[125] Article 340, Honduran Labour Code.

gastritis. It also seems that there is no doctor available at the workplace for those whose shifts fall on Saturdays and Sundays.

Interviews with employees at the Ministry of Labour confirmed these concerns. According to these interviews, one of the principal problems is that statutory holidays and Sundays (*dias de descanso*) seem to disappear under the 4X4 system.[126]

According to one Ministry of Labour employee interviewed for this study: "Although the owners believe or are convinced that it's going well, there haven't been any studies by the Ministry of Labour. What we see is a system that is poorly organized, where workers aren't paid properly. At the very least, it needs to be revised on the basis of a monthly salary. It will be important to undertake a review that would take into account the regulations that are in the Labour Code when we're looking at these extraordinary work shifts and the wages that are paid."[127]

The problem of 4X4 production is not exclusively a problem related to Gildan, although it seems that Gildan was the company that pioneered this system in Honduras. Other "basics" companies are following suit, making it all the more important that the legal "anomalies" and health, quality of work life, and family life issues related to this system be assessed.

According to EMIH, when analysing the 4X4 system, it is important to reflect on the motivation of employers in introducing it, which is the flexibalization of the workday in order to increase productivity and save money. They also reiterated that while it might appear that the four rest days in this system compensate workers for their constant and intense labour during the four 11-hour workdays, the precarious economic situation of the workers makes it impossible for them to use the four "free" days for rest. Instead, they are compelled to use those days to engage in other forms of economic activity in order to meet the needs of their families.[128]

[126] Gildan claims it fully complies with all legal requirements concerning statutory holidays. (January 28, 2003)

[127] Article 322 states that, "the ordinary workday shall not exceed eight hours." However, the Labour Code allows for exceptions to the rule in specific circumstances, in which cases "extraordinary" hours of up to 12 hours a day are permitted. It is not clear, however, whether any of the specific exceptions would apply to maquila garment production.

[128] In response to the preoccupations expressed by workers, researchers and labour inspectors, MSN recommended in the initial draft of this paper that Gildan take the lead in working with other companies and civil society organizations to look into the impacts of the 4X4 system for workers in order to minimize the negative impacts. Gildan noted the following, "In summary, choosing to work on a 4X4 or M-F (Monday to Friday) system is a very personal decision that must be made by the worker at the time he [sic] seeks a job. All employees in our company work voluntarily. We do not employ any forced labour. Our company has chosen this system because it creates a good combination of return for our company as well as having more flexibility in our production system. A majority of our employees tell us they prefer this system." No information was provided on how Gildan has consulted with workers on this topic and what questions and/or options were provided. (January 28, 2003)

Gildan in the Americas, Mapping the supply chain



Gildan Activewear, 2002

1. Yarn spinning
2. Knitting
3. Dyeing / Finishing
4. Cutting
5. Sewing
6. Distribution

B. Mexico

During January and February 2002, local researchers carried out research on conditions at two Gildan-owned sewing factories located in the municipalities of San Buenaventura and Castaños on the outskirts of the city of Monclova, in the state of Coahuila. Both operate under the legal name Gildan Activewear Castaños S de RL de CV.[129] At the time of the research, both plants were undergoing an expansion.[130] According to Gildan, approximately 60 percent of the workers at both facilities are women. Researchers estimated the figure was closer to 80 percent.

As in its Honduran plants, production in Gildan's Mexican sewing facilities is organized on a modular basis, using the 4X4 workweek, with two shifts working four consecutive 12-hour days followed by four days off.[131] There are no night shifts although workers interviewed reported regularly working beyond the 12 hours, which is consistent with reports from Honduran workers. Workers interviewed did not believe they were receiving their full overtime pay.[132]

Workers reported that overflow production was occasionally subcontracted to a small maquiladora factory, which employed 22 workers. According to workers, this happened three times in December 2001. This factory reportedly closed early in 2002.[133]

Off-site interviews were carried out with approximately 10 workers from each plant. Due to financial constraints this research was carried out in a shorter period of time and involved fewer interviews than the Honduran investigation. However, given the consistency in problems identified by workers in Honduras and Mexico, we decided to include these preliminary findings.

As in Honduras, workers in Gildan's Mexico plants identified a number of serious problems associated with work at Gildan. These include:

- Wages that don't meet basic needs;
- Excessively high production targets and pressure from supervisors to meet production targets;
- Very long workshifts without adequate breaks;
- Inadequate overtime pay;

[129] In addition to these two Gildan-owned facilities, Gildan also has at least one longer term contractor Maquilas Kino, S.A. de C.V., a privately owned Mexican company, which operates two plants in Hermosillo, Sonora with a combined workforce of approximately 1,200.

[130] *El Zócolo*, a local Monclova newspaper reported that Gildan was "initiating an expansion" at its San Buena and Castaños plants. The plant in Castaños was expected to contract an additional 400 workers immediately and then 200 in a "second stage." At San Buenaventura, the article estimates, the number of workers will be increased from 400 to 1,600, with 200 of those hired being in 2002. Diana Torres, "Inician ya process de expansion en San Buena y Castaños," *Zócolo*, Monclova, Coahuila, on file, n.d.

[131] Gildan's competitor, Sara Lee – which has two plants, in Monclova and Ciudad Frontera – also organized production on a 4X4 basis, but recently changed back to the more "standard" five-day workweek, possibly in preparation for a rumoured plant closing.

[132] Gildan claims all operators leave the plant at exactly 7:00 p.m. every evening, that only supervisors and mechanics work beyond those hours, and that they receive proper overtime pay (January 28, 2003).

[133] The factory reportedly re-opened under a new name and is now located in Monterrey, Nueva Leon, approximately 18 kilometres from Monclova. According to researchers, Gildan production continues to be subcontracted to this factory. Gildan denies ever contracting work to this factory. (January 28, 2003)

- Health problems that could be associated with the pace of production and exposure to fabric dust; and
- Alleged violations of freedom of association, including an anti-union attitude on the part of Gildan management.

Hours of Work / Workweek:

The regular workday in Gildan's Mexican facilities is slightly longer than in Honduras from 7:00 a.m. to 7:00 p.m., for a total of 48 hours over four days, which seems to be in accordance with the Mexican Federal Labour Law in terms of the total number of hours per week. In heavy production periods, such as December and January, workers reported being required to work additional hours of overtime. For example, workers reported working three hours overtime on each of their four days, stretching the workday to 15 hours a day, or 60 hours a week. On average, it seems that workers work one hour of overtime per day. According to the workers interviewed, overtime is compulsory.[134]

Article 61 of Mexico's Federal Labour Law limits the regular workday to a maximum of eight hours (seven hours when the workday includes day and night hours). Article 66 limits overtime hours to three hours a day for not more than three days a week. Article 67 requires that overtime hours be compensated at a double time rate. Article 68 states that workers cannot be required to work more than the above hours. Voluntary overtime hours that exceed nine hours a week must be compensated at 200 percent of the hourly wage. However, Article 59 states: "the employer and the worker can define the workweek as long as it does not exceed the maximum" of 48 hours per week. According to Gildan, workers agree when they are hired to work the 12-hour days four days a week as required in its 4X4 system.[135] Since this appears to be a condition of employment, the voluntary nature of these individual contracts is questionable.

As is the case in Honduras, Mexican labour law appears to assume a six-day workweek with workdays exceeding eight hours as the exception rather than the rule. This may cause confusion among workers concerning their legal rights and legally required overtime pay. At the same time, possible misinterpretations of how Mexican law applies to the 4X4 system do not account for the fundamental disagreement between workers interviewed and Gildan representatives as to whether workers are ever required to work overtime in addition to the regular 48-hour workweek.

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[134] Gildan claims that all overtime is voluntary, and states: "In the three years that Gildan has been in Monclova not one single worker has ever worked three hours of overtime on each of their 4 days. They do not work overtime during their 4-day shift." (January 28, 2003)

[135] "Article 59 states that the employer and the worker can define the workweek as long as the resulting schedule does not exceed the maximum, in this case, 48 hours per week. Given that each employee agrees to this when they join Gildan this makes all the other articles referred to irrelevant." (January 28, 2003)

Compensation:

Pay slips from workers interviewed in January and February show their weekly earnings were between M$413 (Cdn.$63.60 or US$41.74)[136] and M$505 (Cdn.$77.77 or US$51.04) in January and February of 2002. These figures include punctuality and production bonuses.[137]

A common complaint made by the workers interviewed was that they do not believe their salaries are properly calculated. Nor do they believe they are being adequately compensated for overtime, Sundays or statutory holidays.[138] Again, the confusion seems, at least in part, to stem from the fact that provisions of Mexican labour law don't take into account the realities of 4X4 production, i.e. of 12-hour days that don't involve "overtime," and work on Sundays as a normal part of the workweek.

Article 71 of the Federal Labour Law defines Sunday as the weekly day of rest ("el dia de descanso seminal"), but goes on to say that workers who volunteer to work on Sundays are entitled to receive an additional 25 percent above their normal daily wage. It is not clear from the pay slips MSN has on file whether workers received the additional 25 percent of their salary on the Sundays they worked.

Gildan also employs workers at minimum wage through a state government training program subsidy.[139] According to the Coahuila state government website, Gildan benefits from a Coahuila state government program in which new workers who enter a Gildan factory to be trained receive a grant (*beca*) from the government that is equivalent to the regional minimum wage (M$42 per day or Cdn.$6.47 or US$4.24). The grant is paid in weekly wage instalments for two months. In the period October – December 2001, Gildan "employed" 435 workers being paid through this program. Local researchers reported that a common complaint from workers is that if Gildan decides to keep them on, their new employment contracts do not take into account their two months "training" and although they have been working at Gildan for two months they have no accumulated seniority.[140]

As in Honduras, workers reported that wages are not sufficient to meet a worker's and his/her family's basic needs. This is confirmed by local research. In the spring of 2001, SEDEPAC, a Mexican human rights group active in the state of Coahuila, carried out a survey in Monclova and found it takes M$1,500 (Cdn.$230.29 or US$151.59) a week to provide food, housing and transportation for a family of four.[141]

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[136] Conversions between Mexican pesos and US and Canadian dollars are based on exchange rate on July 7, 2002. M$9.8950 = US$1.00. M$6.49360 = Cdn.$1.00.

[137] Gildan claims the average weekly wage for trained workers in production teams is M648.18 (Cdn$115, and that the figures quoted above are training wages. (January 28, 2003)

[138] Gildan claims that workers are paid double time on statutory holidays and an additional 25% of their base salary on Sundays, as required by law. (January 28, 2003)

[139] *Boletin Informativo del Servicio Estatal de Empleo,* on file.

[140] According to Gildan, "people in training programs are not legally employees of Gildan until the 60th day, which is when Gildan registers this employee with Social Security. It is this date that Mexican authorities recognize as the effective date of employment." (January 28, 2003)

[141] MSN copy on file.

A February 2002 study from the Universidad Obrera de Mexico estimates that a worker earning the minimum wage would need to work 180 overtime hours a week to earn enough to purchase a "basic needs" basket, not including rent, clothing, health or education expenses.[142] While Gildan's "non-training" operator wage rates are approximately double the minimum wage, the Universidad Obrera study suggests that Gildan workers could not achieve a basic needs wage even if they worked a significant number of overtime hours every week.

According to the interviewers, workers at Gildan must augment their salary with other work, primarily in the informal sector. They report that the main benefit of working at Gildan is the access it provides to Mexico's Social Security program (IMSS). No doubt this is one reason why researchers also reported high levels of staff turnover between Gildan and its competitors.

Health and Safety:

Both facilities have a company nurse on duty and contract a doctor for more serious problems. Workers complained that the nurses discourage them from going to the IMSS government health clinic. They believe this is because Gildan doesn't want workplace accidents or illnesses to be reported so that the company's social security contribution doesn't increase the following year.[143]

Among sewing machine operators, there are reports of numerous cases of tendonitis and repetitive strain injuries, which workers associate with the intensity of production, pressure to meet targets, and duration of the workday. They also complained of breathing problems they associate with exposure to fabric dust.

Employees working in the area where finished T-shirts are cleaned before final packing complain of skin irritation and other skin problems, which they associate with the use of detergents.

Pregnancy and Drug Testing:

According to the workers interviewed, new employees were required to have a urine test, which they believed was for pregnancy. The workers claimed that in the past there were periodic pregnancy tests of employees, as well as job applicants, and that positive tests resulted in some dismissals. However, they noted that workers are not currently being fired for being pregnant.[144] Local researchers also confirmed that there are no cases of complaints against the company to the Local Conciliation and

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[142] On file MSN. The 180 overtime hour figure is used in the study to demonstrate how much purchasing power workers had lost between 1994 and 2002. Obviously, a worker making the minimum wage could not obtain a basic needs wage by working overtime, since there are not 180 hours in a week.

[143] Gildan denies the nurses prevent workers from going to IMSS, but acknowledges that most illnesses are treated by the company doctor and nurses. "Our plant doctors give employees medication to treat their illnesses as much as possible." (January 28, 2003)

[144] Gildan denies that there has ever been pregnancy testing at either factory, claiming that urine tests are to detect illegal substance abuse. "There have been many cases where potential employees tested positive for either Cocaine or Marijuana consumption. These employees obviously were not hired." (January 28, 2003)

Arbitration Board for unjust dismissals of pregnant employees. As in Honduras, workers complained that production targets for pregnant women are set at the same rates as for other workers.

Sexual Harassment:

In addition to accusations that pregnancy testing has taken place in the factories, there were also reports of past incidents of sexual harassment,[145] although workers also reported that sexual harassment had stopped after a management person was removed from the factory.

Freedom of Association:

The workers interviewed were not aware whether a union existed in the factory. They didn't have shop stewards or union representatives. All grievances were made through their supervisors. They expressed fears that if the company believed workers were organizing, those workers would be fired or discriminated against.

In fact, workers commented, "Gildan does not permit the formation of unions or the participation of its workers in any organization that would provide assistance and/or counselling on labour rights or worker organizing." Workers interviewed believed there had been numerous cases in which employees who were supposedly fired for low production and/or poor attendance were in actual fact fired because management suspected they might be participating in organizing activities.

Knowledge of Codes of Conduct and Monitoring:

None of the workers interviewed in Mexico were aware of the existence of codes of conduct or their purpose.[146] Nor were the workers clear about who factory monitors are or for whom they work. Only one of the workers interviewed was aware of monitoring taking place in the factory. He reported that some people had visited the factory and had asked questions of workers in his department. According to the worker, his supervisor had instructed workers not to say anything against the company.

[145] Accusations appeared in a Monclova newspaper. Esquiel Aguilera, "Cancela Gildan inversiones," *La Voz,* August 21, 2001.
[146] According to Gildan, the company code of conduct, in Spanish, is posted on the walls near the Human Resource offices at both factories. Gildan also claims there has been increased training in this area during preparation for WRAP certification (January 28, 2003).

C. Contract facilities

Although Gildan has consolidated much of its production at its wholly owned facilities in the last year, it is very likely that the company will continue to outsource assembly work. As part of this research study, MSN's research partners in Central America and the Caribbean investigated working conditions at Gildan contract facilities in El Salvador, Haiti, Nicaragua and the Dominican Republic.

While the research was being carried out, Gildan seemed to have stopped placing orders at their Dominican Republic and Nicaragua factories and cut back in both El Salvador and Haiti. However, as of March 2003, Gildan continues to place orders with the Korean-owned Sociedad Industrial J&A Textiles S.A. in El Salvador.

At the time of the initial research in June 2002, J&A employed approximately 350 workers, 90 percent of whom were women, and produced Gildan golf shirts and T-shirts. As of February 2002, 75 percent of production was being carried out for Gildan and 25 percent for Ralph Lauren. In June 2002, local researchers reported that Gildan accounted for almost 100 percent of production at the plant. Gildan's products made in the factory bore on their labels RN#93846 and CA#25181, indicating that they were for export to the US and Canada.

At J&A, production was organized into eight modules with 20 workers per module. At the time of the initial research, six modules were producing for Gildan.

● Key Issues

Workers interviewed identified the following as major problems or issues:

- Excessively high production targets;
- Pressure to work overtime hours;
- Incomplete pay for overtime;
- Incomplete severance pay;
- Denial of permission to visit health clinics during working hours, deductions from wages for those given permission;
- Wages that don't meet their family's basic needs;
- Excessive heat due to inadequate ventilation;
- Insufficient clean drinking water;
- Lack of health and safety equipment;
- Compulsory pregnancy testing, discrimination against pregnant workers; and
- Threats of firings without severance pay when workers try to organize.

Production Targets:

According to workers interviewed, production targets were much higher than was possible to complete in an eight-hour day. They also reported that production targets

had increased when the factory began producing for Gildan. According to the workers, supervisors constantly pressured and shouted at them to reach their targets. Workers reported having to work one to one and a half hours extra per day to complete their targets, and on Saturdays to complete targets that haven't been reached during the normal workweek.

Hours of Work:

Workers interviewed reported that overtime was compulsory.[147] Theoretically, the regular workday from Monday to Thursday is from 7:00 a.m. to 5:00 p.m., and from 7:00 a.m. to 4:00 p.m. on Fridays. Workers were legally entitled to a one-hour lunch break, but said that in practice they only took 45 minutes. There was also a 15-minute break in the mornings. However, overtime hours[148] were normally from 5:00-6:00 or 6:30 p.m., and from 7:00 a.m. to 4:00 p.m. on Saturdays.

Workers claimed that on average they worked between 26 and 36 hours overtime in every two-week period. They complained that they were not receiving the full pay they were entitled to for all the extra hours they worked in a week. They said, "the supervisors tell us we have to 'cooperate' with the company and stay working after finishing our official hours."

Compensation:

Workers said the base rate is the legal minimum wage of 1,260 colones per month (Cdn.$213; US$144), or Cdn.$9.90 (US$6.70) a day, plus production bonuses. In follow-up research carried out in March 2003 (see below), researchers estimated that the average daily wage including production bonus, but not including the seventh day statutory wage benefit, was Cdn.$12.90 (US$8.70). Deductions for social security were reportedly about Cdn.$19.80 (US$13) a month.

Workers felt the pay was poor and not sufficient to meet the basic needs of their families.[149] They claimed that pay had deteriorated over the previous year since the manner of payment had changed. Without exception, workers interviewed said they had to work extra hours to meet their own needs and the needs of their families.

As stated above, workers were convinced they were not receiving the full overtime pay they were entitled to for all the extra hours they worked. Pay slips obtained by the researchers did not include information on overtime hours worked, nor the amount paid for overtime. Workers were therefore unable to determine whether they were being properly paid. While workers blamed supervisors for taking

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[147] The Salvadoran labour codes says that overtime can never be forced and can't be done on a daily basis except when "extraordinary circumstances" require the work. The code also says that overtime should be a result of a "pact" between the employer and the worker, and not imposed by the company. Gildan claims overtime is not compulsory at any of its contact facilities and compulsory overtime is a violation of its code of conduct.

[148] The legal workweek in El Salvador is 44 hours.

[149] A 1999 Columbia University study calculates a living wage in El Salvador for a family of 4.3 persons to be US$541.60 per month.

part of their pay, researchers believed failure to pay full wages owing was a systemic problem at the factory.

Workers complained that when they were laid off or suspended they were not provided their full severance pay.[150] Workers also reported being given rice, beans, sugar and oil, which they claim is of poor quality, in lieu of severance. According to the researchers, the value of the provisions they received was much less than the severance pay they were legally owed.

Workers said they felt pressured to accept what the company offered because the process of seeking redress through the Ministry of Labour was very slow and time-consuming and most workers couldn't afford this. Some workers interviewed cited an incident in which their signatures were allegedly falsified by the management on a list J&A management presented to Ministry of Labour inspectors when they came to the factory to investigate a severance claim.

Pregnancy Testing:

Workers reported that prospective employees must undergo and pay for medical examinations that include blood, urine and respiratory tests. They claimed that if prospective employees tested positive for pregnancy, they were not hired. They also claimed that new employees were monitored for the first three months of employment, and that if there were any signs of pregnancy during that period, they were immediately fired.[151]

Health and Safety:

Workers complained of excessively hot working conditions due to poor ventilation, and claimed there wasn't sufficient clean drinking water, particularly in the hottest periods of the day. They also complained that only the administration offices were air-conditioned.[152]

In collaboration with the workers, the interviewers conducted tests on water provided to the workers. The tests showed that drinking water contained bacteria from fecal matter and was not fit for human consumption.

Workers said emergency exits were not well marked. There are fire extinguishers, but workers say they are not trained on how to use them. They also claimed they did not receive any personal health and safety equipment.

Common health complaints included stomach aches, headaches, sore throats and throat infections, and pains in the hands, wrists and neck. The workers associate these health problems with poor ventilation and the amount of fabric dust they are exposed to, and pressure to meet production targets.

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[150] Salvadoran labour law requires that anyone illegally fired receive one month salary for every year of work.

[151] Under Salvadoran law if a pregnant woman has worked during the last six months before childbirth with an employer, she automatically has a right to maternity benefits and can't be fired. According to Gildan, "no pregnancy testing is performed by any of our contractors." (January 28, 2003)

[152] According to Gildan, all its contact factories are well ventilated, though not necessarily air conditioned. (January 28, 2003)

Workers complained they were sometimes denied permission to go to a Social Security clinic when they were sick during working hours. Those who had succeeded in negotiating the right to go to a clinic, said they were sometimes punished with deductions from their pay of US$2.29 an hour. Workers referred to a case in which a pregnant worker apparently suffered a miscarriage after being refused permission to go to a clinic during working hours. The interviewers were unable to verify the story.

Workers claimed some of the washroom facilities were in poor repair and lacked sufficient soap, toilet paper, towels, etc.

Freedom of Association:

At the time of the initial research, there was no collective agreement at the factory. Workers did not report any strikes or work stoppages. They claimed supervisors intimidated or dissuaded workers who were interested in organizing, threatening that any worker who tried to form a union would be immediately fired and would not receive severance pay.

Knowledge of Codes of Conduct and Monitoring:

None of the workers interviewed were aware of the Gildan code of conduct or codes of conduct of other brands. They said management had not made workers aware of the existence of codes of conduct, nor had they posted the Gildan code or codes of other brands using the factory.[153]

Workers reported that "inspectors" from Gildan had visited the factory on at least one occasion.[154] The inspectors reportedly met with factory management, and inspected the washrooms and the sewing area. According to the workers, earlier that day management had ordered that the bathrooms be well cleaned and stocked with supplies. Protective masks were distributed to all personnel and workers were ordered to use them. They were also ordered to clean the factory thoroughly.

According to the workers interviewed, employees had not been given the opportunity to speak with the Gildan inspectors, and the inspectors hadn't asked to speak with any workers. Workers claimed they heard the inspectors say to management in Spanish, "Everything is great, everything is clean, everything is o.k." On a follow-up visit by the researchers in June 2002, workers interviewed by local researchers outside the factory reported that "gringos" had recently been at the factory, talking about a code called WRAP.[155]

In March 2003, the local research team carried out a follow-up investigation to determine whether there had been any changes in production practices, working

[153] According to Gildan, its code of conduct is posted in Spanish in all contract facilities. (January 28, 2003)
[154] According to Gildan, company representatives visit contract factories every 6-8 weeks, and factories are monitored on a regular basis to ensure compliance with the code. (January 28, 2003)
[155] According to Gildan, the majority of its contractors have applied for WRAP certification, and should be certified before the end of 2003. (January 28, 2003)

conditions and/or labour practices at the factory. They discovered that J&A Textiles, known as JATEX, was producing exclusively for Gildan. At the time of the follow-up investigation, the factory was making Gildan Ultra Cotton long sleeve T-shirts. In addition, Gildan products were being assembled at two other factories – Segatex[156] and Compatex – both of which were owned by the owners of J&A Textiles. Two thirds of the production at Segatex was for Gildan, and one third for Hanes.

Production at JATEX had increased from eight modules in June 2002 to 13 modules of 20 persons in March 2003, and the number of workers had increased from 350 to around 450. Segatex had four modules of 23 workers each producing for Gildan and two modules sewing for Hanes. JATEX and Segatex workers reportedly share the same clinic.

Workers producing long sleeve T-shirts have a daily production target (meta individual) of 4,500 pieces, and are paid 52 centavos a piece. If they reach 100 percent of the production target, they receive 117 colones (Cdn$19.80; US$13.40). However, according to the workers interviewed, very few workers meet the target, and the majority reach 65 percent of the target, and receive 76 colones (Cdn$12.90; US$8.70) a day.

According to the researchers there had been some improvements in working conditions. For instance, there was now sufficient drinking water available, though the water reportedly comes from the tap and is not bottled drinking water. In collaboration with the workers, the researchers obtained samples of the water for analysis. The results once again confirmed that the water contained bacteria from fecal matter and was not fit for human consumption.[157]

Researchers also found that compulsory pregnancy tests had been abolished. A memo from the head of Human Resources, dated October 30, 2002 and posted in the women's washroom, stated that the company has reached an agreement with Gildan auditors to prohibit pregnancy testing of JATEX employees. The memo also stated that no more contraceptives will be given to workers unless they have a medical order. Since this change, new JATEX employees were only required to provide a personal ID document, two photos, and references from former employers.

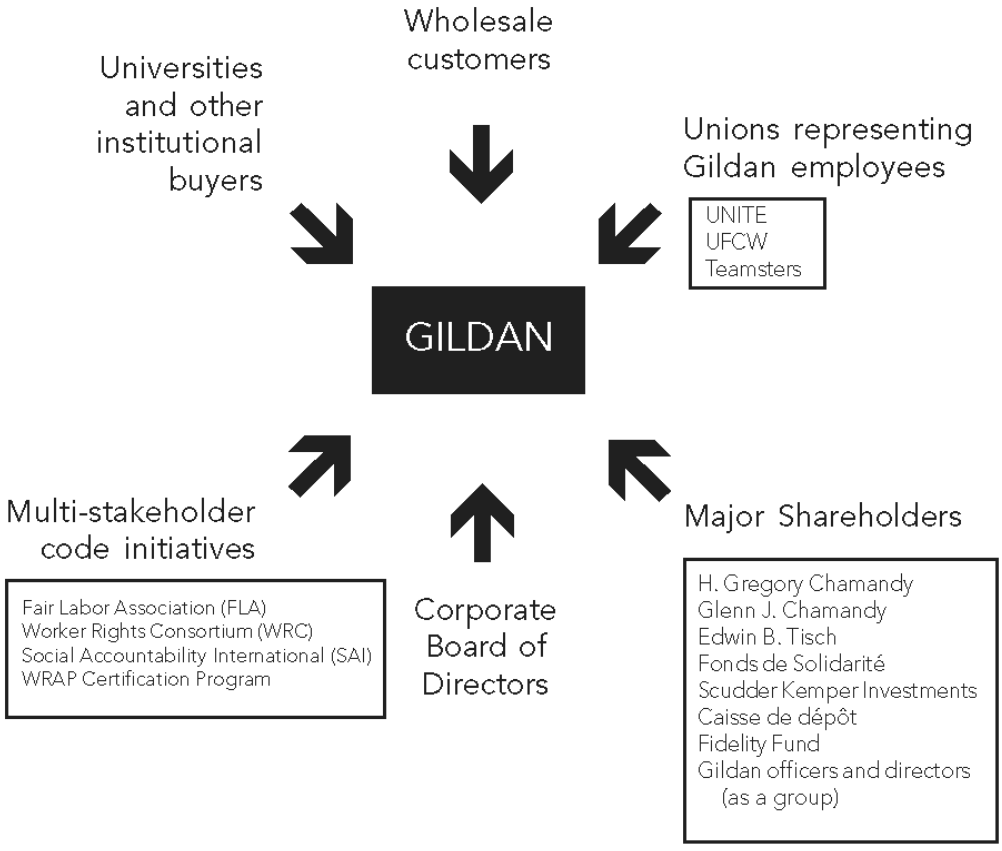
On the issue of freedom of association, management has taken steps that might appear at first glance to be positive, but in fact may hinder future efforts to seek authentic union representation. According to the researchers, JATEX has made an arrangement with the union federation FENASTRAS to represent the workers, without consulting its employees. The president of the union is a supervisor of one of the modules, and apparently has the authority to fire workers. Apparently, in May 2002, management called a meeting of the workers where it announced that because the company respected its workers' right to organize, FENASTRAS would be their union. The union membership book is reportedly kept in the managers' office, and workers are called to the office to sign up as members.

[156] Researchers were unable to confirm whether the name of the factory was "Segatex" or "Cegatex."
[157] Results of laboratory tests on file.

According to Ken Georgetti, President of the Canadian Labour Congress, FENASTRAS is known in El Salvador and internationally as a pro-company union that collaborates with companies to oppose authentic union representation.[158] According to Benjamin Cuellar, Director of the Human Rights Institute of the University of Central America Jose Simeon Cañas (IDHUCA) in El Salvador, if FENASTRAS was recruited by JATEX without the agreement of the workers, this should be regarded as a violation of freedom of association.[159]

The Salvador research team reports that a JATEX code of conduct now appears on the factory walls, which states that the company complies with the WRAP principles.

Institutional Stakeholder Leverage Points



[158] E-mail correspondence withCanadian Labour Congress, April 11, 2003.
[159] Email correspondence with Benjamin Cuellar, April 9, 2003.

Conclusions

4

Gildan Activewear is a Canadian business success story. While maintaining some textile production facilities in Quebec, Gildan has exploited the advantages of regional trade agreements to relocate a significant portion of production to Central America and Mexico. In order to compete with US-based rivals and with Asian manufacturers, Gildan is consolidating its apparel manufacturing operations in Honduras and Mexico, and creating full-package networks, moving some textile manufacturing to Honduras.

Gildan's move to bring much of its production in-house and its long-term business relationships with its few remaining contractors mean that it can exert a great deal of control over pricing, production rates and the enforcement of quality controls. It also means that Gildan is able to influence and monitor wages and working conditions in any of its factories, whether or not they are directly owned by Gildan.

Like its competitors, Gildan is vulnerable to charges of exploitation of the young, predominantly female workforce employed in its wholly owned production facilities in Central America and Mexico. As a major producer of T-shirts for Canadian and US public institutions and membership organizations, Gildan is increasingly under scrutiny from student, NGO and labour groups, as well as institutional investors, concerning the conditions under which its bulk-purchased products are made. However, Gildan's willingness to cooperate with unions in Canada and ability to negotiate collective agreements with those unions would seem to indicate that the company is capable of resolving real or perceived problems with its employees.

In 2002, Gildan made commitments and showed a willingness to provide verifiable assurances to institutional investors and customers that workers' rights will be respected in its offshore facilities. These included its commitment to seek SA8000 certification of its manufacturing facilities, and its willingness to engage with NGOs on issues concerning code compliance verification, public reporting and worker rights training. However, in 2003, Gildan appeared to be taking a step backward on these commitments.

The findings of this case study would indicate that Gildan has a long way to go to address workers' concerns about labour practices and working conditions in both its wholly owned and contract supply factories in the Caribbean Basin and Mexico.

Although this report cannot claim to be a definitive study of labour practices in Gildan's wholly owned and contract facilities, it does provide a workers' perspective on issues and problems at the workplace that Gildan would be wise to pay attention to and address.

Because interviews were carried out offsite by local NGOs without the company's knowledge, the sample is less random than it might have been if interviews had been carried out onsite by third-party auditors or researchers with the company's cooperation. However, the often expressed reluctance of workers to speak honestly to company monitors, third-party auditors or others seen to be company representatives would seem to indicate that there are advantages to our research method. Workers' knowledge and experience of the conditions and social relations in the workplaces where they spend most of their daily lives are often conspicuously absent from commercial auditors' reports and academic studies.

Further research is needed to confirm the information obtained from the worker interviews and to document working conditions in textile mills and other stages in the production process.

Research Findings

This case study indicates that while there may be few actual violations of local labour law, serious workplace problems, including violations of ILO Conventions and relevant codes of conduct, exist in Gildan's wholly owned offshore factories. Violations of local labour law might be more prevalent in Gildan's offshore contract facilities.

Significantly, many problems identified by workers in Gildan-owned facilities appear to be directly associated with the "modern" and "flexible" production model introduced by Gildan as part of the development of its Honduran full-package network. Key elements in this model are:

- Rapid and continuous pace of production encouraged through payment of low base wages, high production targets, monetary and other incentives, as well the discipline imposed by the work team; and
- Duration of the workday inherent in the 4X4 system.

Health problems identified that appear to be associated with this model include: stress, headaches, fatigue, repetitive strain injuries, and pains in the back, neck, wrists, and hands.

While Gildan management asserts that workers prefer the 4X4 system and that it allows women time with their children and cuts down on daycare costs, interviews with workers indicate that 4X4 also has a negative impact on relations between women workers and their spouses and children, and their ability to care for their children.

A major issue that continues to divide Gildan and its employees is the workers' belief, whether justified or not, that job applicants are being submitted to pregnancy tests, and that those found to be pregnant will not be hired or will be fired before they have completed their probationary period. While Gildan insists that this is not the case, the fact that workers continue to believe it is taking place demonstrates

that, at the very least, there are serious communication problems between management and workers.

The fact that the Canadian Human Rights Commission also considers compulsory pre-employment drug testing a discriminatory practice, and the fact that Honduras' new Equal Opportunities Law for Women prohibits discrimination against workers with HIV/AIDS, would indicate that Gildan should discontinue the practice of mandatory pre-employment urine or blood tests, whether for pregnancy, HIV/AIDS or drug use.

In Honduras, the 4X4 system has caused confusion as to whether workers are receiving their full holiday benefits and premium pay for their weekly rest day and statutory holidays, such as Easter week. Workers question whether they are being paid their full legally required overtime premiums when they work extra days after the completion of their regular four-day workweek. They also report being pressured to work overnight shifts, usually on the last day of their four-day workweek. In Mexico, workers believe overtime is compulsory, while Gildan claims workers agree to work overtime when they are hired. As in Honduras, Gildan workers in Mexico also question whether they are receiving their full legally required overtime premiums.

In one Honduran and one Mexican factory, there had been reports of sexual harassment by supervisors in the past. None of the workers interviewed were knowledgeable about Gildan's anti-harassment policy and/or how to register complaints.

In Gildan's Salvadoran contract factory, workers reported a number of serious legal and code violations, including falsification of hours of work, failure to pay overtime premiums and severance pay, failure to grant permission to visit Social Security clinics during working hours, illegal deductions from workers' pay for visiting clinics, inadequate ventilation, compulsory pregnancy testing and firing of pregnant workers, failure to provide personal protective equipment or health and safety training, etc. Gildan denies that these violations are occurring in any of its contract facilities.

These allegations of legal violations in the contract facility profiled would suggest that any factory audits, investigations or other measures to ensure code and legal compliance should be carried out in all contract and subcontract factories the company uses, as well in its own factories. While Gildan is obviously consolidating most of its production in wholly owned factories, we anticipate the company will continue to use some contract and subcontract facilities.[160]

In all the factories examined in this case study, workers interviewed believed they would be fired or otherwise punished or discriminated against if they tried to organize a union. The firings of 45 union members at Gildan's El Progreso plant – all but a few of whom were dismissed on November 24, 2002, ten days after they filed for a registration of a union – would seem to give weight to workers' fears. Workers

[160] According to EMIH, throughout the week of September 11, 2002, an ad appeared in the newspaper, *La Prensa*, which stated, "Gildan Activewear is looking for contractors located in San Pedro Sula. Required: more than 10,000 dozen pieces a week."

interviewed also reported that employees may have been fired for union activity in the past.

In the case of the Salvadoran contract factory profiled in this report, workers claimed that supervisors threaten that workers attempting to organize unions would be fired and receive no severance pay. While J&A Textiles has reportedly invited a pro-company union into the factory, in none of the factories studied is there an authentic union or a democratically negotiated collective agreement. It is worth noting that the SA8000 Standard and the Fair Labor Association and Worker Rights Consortium codes all require respect for freedom of association and the right to bargain collectively, and prohibit harassment or discrimination against union members. Whether or not Gildan moves forward in seeking SA8000 factory certifications and/or FLA membership, it will need to seriously address the issue of freedom of association, particularly if it wants to continue to produce for the university market.

The most consistent concern expressed by workers interviewed in all of the factories studied is that wages are insufficient to meet their families' basic needs. Since the SA8000 Standard, the WRC code and many university codes include requirements that workers receive wages that meet basic needs, Gildan will have to seriously address workers' concerns about inadequate wages if it decides to move ahead with SA8000 certification and/or, as mentioned above, is concerned about its stake in the university market.[161]

Another important issue for Gildan is workers' limited knowledge of and attitudes towards codes of conduct and monitoring. In most instances, workers interviewed were unaware of the Gildan code of conduct, or the existence of codes of conduct in general. In the few instances in which they were aware of codes, they were not aware of what could be done if a code was being violated. In the one instance where some workers were familiar with the Gildan code, they expressed the fear that if they reported violations, they would be fired. While Gildan has apparently done some training with management personnel on its code and the WRAP program, worker rights training for employees should be given greater priority.

Workers' attitudes toward monitors and third-party auditors should be equally disturbing to Gildan. In most instances, workers were not clear about who the auditor or monitor represented. In all instances, they expressed fears that speaking honestly to the monitor would result in their being fired.

In order for Gildan's internal monitoring and external verification program to be credible and effective, the company should move forward in mandating local human rights, women's and/or labour organizations to develop and carry out a worker rights training program for workers and management personnel, not only on Gildan's code, but also on worker rights under national labour laws and ILO Conventions.

[161] Gildan claims that wages for trained operators in both its Mexican and Honduran meet and exceed the "basic needs" of families. If this is indeed the case, Gildan would have less of a problem achieving SA8000 certification. (January 28, 2003)

Since workers appear to be afraid to register complaints when their rights are violated or to speak honestly to third-party auditors, Gildan should create anonymous and secure mechanisms for workers to register complaints, and consider developing alternative mechanisms for conducting worker interviews as part of the compliance verification process, such as off-site interviews by trusted local nongovernmental organizations.

● Complying with University Codes

As a supplier to many US and Canadian universities, a number of which have adopted ethical licensing and/or purchasing policies, including compliance verification and factory disclosure requirements, Gildan will likely be under ongoing pressure to ensure that all workers in its supply chain are fairly paid and that their rights are respected.

Eleven of the US universities and one Canadian university to which Gildan supplies licensed apparel are members of the Worker Rights Consortium (WRC), a student-initiated monitoring program, while a larger number, are members of the Fair Labor Association (FLA), which also requires external monitoring and public reporting on progress made in achieving compliance with its code of conduct.[162]

Recent changes in the FLA external monitoring program will require corporate members and suppliers of FLA-member universities to publicly report, through the FLA website, on the results of third-party audits of labour practices, including information on areas of compliance and non-compliance with the FLA code, and steps taken by the company to remediate areas of non-compliance. While the WRC does not have an ongoing code compliance verification program, it does conduct inspections of supply facilities of WRC-member universities in response to worker and third-party complaints. It is worth noting that all WRC reports from its investigations are publicly available on its website.

In order to maintain and increase its share of the university T-shirt market, it would be in Gildan's interest to commit to cooperating with FLA reporting requirements and WRC investigations. It might also be wise for Gildan to anticipate these new requirements by developing its own public reporting program. As well, the WRC's complaints-based approach to code enforcement would reinforce the importance of Gildan creating secure mechanisms for workers to register complaints to the company if their rights are being violated.

● Achieving Factory or Brand Certifications

Gildan is currently seeking certification of its wholly owned offshore factories under the Worldwide Responsible Apparel Production Certification Program

[162] Calculations based on information from Worker Rights Consortium and Fair Labor Association website lists of university suppliers (July 2002). For updated information see: www.workersrights.org and www.fairlabor.org

(WRAP). At the same time, it appears to be reconsidering its earlier commitment to SA8000 certification and is evaluating other options, including membership in the FLA.

While involvement in SAI and/or the FLA would represent a step forward for Gildan, we are less convinced of the value of the WRAP certification process[163] for the following reasons:

1. WRAP is strictly an industry, rather than multi-stakeholder, initiative, created by the American Apparel Manufacturers Association, now known as the American Apparel and Footwear Association. Only after the program was fully developed were former labour and government leaders and one NGO invited onto its governance bodies.

2. The WRAP Principles are much weaker than ILO standards or those of the major multi-stakeholder initiatives, such as the FLA, SA8000 and WRC. In most cases, manufacturers are only required to comply with local laws. For instance, the freedom of association provision only requires respect for "lawful rights" of free association and collective bargaining. The WRAP Self-Assessment and Monitoring Handbook includes language on freedom of association that contradicts the spirit of ILO Conventions by prohibiting discrimination against workers who "choose not to join any association or bargain collectively."[164] In addition, the discrimination provision does not specify forms of discrimination, and the hours of work provision allows employers to force their employees to work seven consecutive days, if required to meet "urgent business needs."

3. WRAP provides virtually no information to the public on factories audited or certified, or progress made toward achieving code compliance.

4. The WRAP Principles also contain provisions on apparel transshipment and drug interdiction, which emphasize increased factory security and cooperation with drug enforcement agencies. In practice this emphasis on security, monitoring of workers' activities and restrictions on entry and movements of non-employees in production facilities could be at odds with efforts to encourage increased transparency and the active involvement of workers and local civil society organizations in the code compliance verification process. The drug interdiction provision could also be used to justify the requirement that employees take urine tests, which workers believe are pregnancy tests.

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[163] Limited information on WRAP, including the WRAP Principles, its governance structures, and Self-assessment Handbook for employers, can be found at: www.wrapapparel.org.

[164] Production Facility Self-Assessment and Monitoring Handbook, p. 31, www.wrapapparel.org/manuals/hndbk_eng_2001.pdf. ILO Conventions 87 and 98 affirm the rights of workers to organize and bargain collectively without state or employer interference. They are silent on the question of whether individual workers have the "right" to refuse union membership in a workplace in which a union has been certified to represent the workers in collective bargaining. The language in the WRAP Self-Assessment and Monitoring Handbook is more similar to that in "right to work" legislation that has been adopted by some southern US states, which has been vigorously opposed by the US labour movement.

In contrast, the SA8000 Standard is strictly based on ILO Conventions, and therefore has stronger and more precise provisions on freedom of association, discrimination, child labour, wages, and hours of work.[165] While Social Accountability International (SAI) relies on private sector auditing firms to verify code and legal compliance, it provides more information on its compliance verification procedures, though not on the results of specific audits, and lists certified factories on its website.[166]

As stated above, there are a number of provisions in Gildan's own code of conduct that are weaker than those in the SA8000 Standard or the FLA or WRC codes, including provisions on discrimination, hours of work, wages, and freedom of association. Whether or not Gildan reaffirms its commitment to seeking SA8000 certification, it should bring its code of conduct in line with the SA8000 Standard, the Fonds de solidarité FTQ code and the ILO Conventions on which they are based.

● Gildan stakeholders

Gildan Activewear products are sold to a number of public institutions and membership organizations that are concerned about the conditions under which the products they buy are made. These include US and Canadian universities, athletic teams, annual sports and cultural events, as well as human rights, women's rights and overseas development agencies. Many of these public institutions and membership organizations have adopted or are considering adopting ethical licensing or purchasing policies, many of which include minimum labour standards, factory disclosure requirements, and external monitoring of working conditions.

In addition, the majority of Gildan's Canadian workforce is represented by unions.[167] These unions and their members have an interest in ensuring that workers in Gildan's offshore facilities receive fair wages and working conditions, and respect for their rights, in order to prevent the erosion of their own rights, wages and benefits through negative competition.

Significantly, one of Gildan's largest institutional shareholders, the Fonds de solidarité FTQ, is a union pension fund administered by the Quebec Federation of Labour. While the Fonds has an interest in Gildan's success as a company competing in the global economy, it is equally concerned that Gildan's offshore labour practices

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[165] www.sa-intl.org.

[166] MSN, "SA8000: Can Commercial Auditing Promote Worker Rights?" *Code Memo Number 8*, August 2001. www.maquilasolidarity.org.

[167] In its *US SEC Annual Information Form* for fiscal year 2001, Gildan reports that 700 of its approximately 1,100 workers in Canada in 2001 were covered under a collective agreement; 200 at the Valleyfield, Quebec dying and finishing facility, 200 at the Montreal, Quebec dying and finishing facility, 153 at the Long Sault, Ontario yarn-spinning plant, and 155 at the Montreal sewing plant. Gildan Activewear, *US SEC Annual Information Form*, February 15, 2002, p. 16. The United Food and Commercial Workers (UFCW) represents workers at the Valleyfield facility, the Teamsters Union represents workers at the Montreal dyeing and finishing facility and the Union of Needletrades, Industrial and Textile Employees (UNITE) represents workers Gildan's newest acquisition, the Long Sault yarn-spinning plant. Email correspondence with Anouk Collet, UFCW, July 3, 2002. In 2002 UNITE lost its representation of workers at Gildan's Montreal sewing facility. In March 2003, Gildan announced plans to close the factory as of May 2003.

do not negatively affect Gildan workers in Quebec. In addition to these pragmatic concerns, the Fonds and unions representing Gildan workers in Quebec have demonstrated their genuine interest in promoting respect for the rights of workers employed by Quebec companies in other countries.

Already, key stakeholders have taken action to encourage Gildan to ensure that workers' rights are respected in its overseas facilities. Before the airing of the CBC exposé on Gildan's practices in Honduras, the Fonds had been encouraging Gildan to seek SA8000 certification of its manufacturing facilities. Since the airing of the program, a number of public institutions and membership organizations, including the University of Toronto, Amnesty International, Oxfam-Canada and the folk music festivals in Vancouver and Winnipeg, have written Gildan calling on the company to provide assurances that the products they purchase from Gildan were made under humane working conditions. Recently, the Fonds supported the call for an independent investigation into alleged violations of freedom of association at Gildan's El Progreso factory.

Because Gildan appears to be reconsidering commitments made in 2002 to improve its code of conduct, monitoring program and public reporting, continuing vigilance by all stakeholders will be needed to ensure that the Gildan follows through on those commitments.

We would propose that the various stakeholders having buyer, shareholder or collective bargaining relations with Gildan Activewear encourage the company to respond positively to the recommendations below.

See chart on page 46 for an overview of leverage points that can be brought to bear to influence Gildan's labour practices.

Recommendations

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To Gildan Activewear

Based on our research findings, we would recommend that Gildan Activewear do the following:

1. Cooperate with an independent investigation on alleged worker rights violations documented in this report, including wages, production targets, urine and blood testing, health and safety, freedom of association and gender related issues. Particular attention should be paid to the November 24, 2002 firings of union members in Honduras.

Such an investigation should be based on either the SA8000 Standard or the code of conduct of the Fonds de solidarité FTQ, and be carried out by an investigative team acceptable to key stakeholders. The results of that investigation should be made available to Gildan institutional buyers, shareholders, stakeholders and the public.

2. Move forward in seeking SA8000 certification of all its wholly owned, contract and subcontract facilities, and bring its code of conduct in line with the SA8000 Standard and ILO conventions on which it is based.

3. Ensure that there is no harassment or discrimination against union supporters and that the company and its personnel fully respect workers' right to form or join unions of their choice and to bargain collectively.

With regard to the November 2002 firings at the El Progreso facility, circulate a written statement to current employees and union members fired on November 24, reaffirming Gildan's commitment to freedom of association and offering to reinstate any fired union members who wish to be reinstated.

4. Eliminate the requirement that job applicants, or current employees, take urine or blood tests, whether for pregnancy, HIV/AIDS or drug use. Ensure that no worker in its wholly owned, contract or subcontact facilities is discriminated against on the basis of pregnancy or HIV/AIDS.

5. Ensure that workers are not being denied statutory holiday benefits or full overtime pay in any of its wholly owned, contract or subcontract facilities and/or

provide verifiable evidence that workers are properly compensated and knowledgeable of payroll calculations.[168]

6. Commission studies to determine if production targets can be reasonably achieved by an average worker, and whether hours of work and production targets are adversely affecting workers' health – with special attention to the realities of pregnant and nursing mothers.

7. Commit to providing wages that meet basic needs within a three-year period.

8. In its Honduran facilities, ensure that all legal requirements, including Articles 140 and 143 of the Honduran Labour Code and Article 59 of Honduras' Equal Opportunities Law, are being adhered to concerning employer responsibilities to provide facilities for breastfeeding and day care for employees with babies and small children. Consult with workers and appropriate ministerial as well as labour and non-governmental agencies on how best to implement a more workable system for nursing mothers to take their "breastfeeding" hour.

Consider replicating these improvements in its Mexican and contract facilities.

9. Work with respected local labour and nongovernmental organizations on the development and implementation of training programs for workers and management personnel on Gildan's code of conduct, national labour law and ILO Conventions, as well as policies concerning health and safety, sexual harassment and verbal and physical abuse. Such training should include information on procedures for registering and investigating complaints and penalties for violations.

10. Develop a policy and procedures for the employment of workers under the age of 18 at its Honduran facilities that include compliance with legal hours of work requirements for young workers and adjustments in hours of work and production targets to accommodate young workers' educational needs. Provide a grace period for any current workers under 18 years of age to re-register under the new program.

11. Ensure that workers have anonymous and secure mechanisms to register complaints if they feel their rights are violated.

12. Provide annual public reports on areas of compliance and non-compliance with local labour laws, the revised Gildan code of conduct, and ILO Conventions and corrective action plans to address violations.

[168] Gildan's recently published "Manual del Empleado – Gildan Activewear – Honduras" includes a section on "form of payment" that describes briefly how pay is calculated but overtime does not appear.

To Civil Society, Government And Employers

The issues and problems documented in this report are obviously not confined to Gildan factories. Many of these issues are common to most, if not all maquila factories in Honduras, including the legal ambiguities and negative impacts of the 4X4 production system on workers' health and family life; the question of pregnancy testing; gender-based discrimination; production quotas and targets; hours of work and compensation for overtime; wages that don't meet workers' basic needs; and workers' lack of awareness of their rights under national law, ILO Conventions, and codes of conduct.

One possible option, which Honduran (and perhaps Mexican and Salvadoran) civil society organizations should consider, is the convening of multi-stakeholder forums – involving the maquila association, companies, labour, women and human rights organizations and Ministry of Labour representatives – to discuss and analyze how to best address some of these issues.

To Gildan Stakeholders

Institutional buyers of Gildan T-shirts – universities, high schools and other public institutions, unions, NGOs, sporting events, membership organizations – have the power to positively influence Gildan's treatment of its workers.

Ethical investors, such as the Fonds de solidarité FTQ, have already demonstrated their ability and willingness to engage with Gildan to promote greater respect for workers' rights, as have unions that represent Gildan employees in Canada.

When questioned by bulk purchasers of Gildan products or institutional investors with shares in the company about how those organizations and institutions should respond to allegations that Gildan was violating workers' rights, MSN has consistently advised against boycotts or divestment.

Instead, we have urged Gildan stakeholders to communicate to the company their concerns about Gildan's labour rights record, and their interest in continuing to do business with Gildan as long as the company provides verifiable assurances that it is respecting local labour laws and the labour rights Conventions of the International Labour Organization (ILO).

The Honduran Independent Monitoring Team (EMIH) is a joint project of the Honduran Women's Collective (CODEMUH) located in Choloma, Honduras and ERIC, a Jesuit reflection, research and communications team located in El Progreso, Honduras. Both organizations provide legal support and education on human rights to maquiladora workers in the surrounding areas. EMIH was created to monitor and verify labour conditions of the workers in the maquilas. Their mission is to contribute to the well being of maquila workers by promoting respect for their labour and human rights.

Honduran Independent Monitoring Team (EMIH)
Apartado Postal #696
San Pedro Sula, Honduras
Emihn1@yahoo.com

The Maquila Solidarity Network promotes solidarity between Canadian labour, women's and social movement groups and Mexican, Central American and Asian counterparts organizing to raise standards and improve conditions in maquiladora factories and export processing zones. The MSN acts as the secretariat for the Ethical Trading Action Group and coordinates Stop Sweatshop campaigning in Canada.

This publication is part of a broader program of work examining the restructuring of the garment industry in the Americas and internationally, particularly in light of the phase out of the Multi-Fibre Arrangement in 2005, with special attention to the impact of current restructuring on workers' rights.



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A Canadian Success Story?
Gildan Activewear: T-shirts, Free Trade and Worker Rights

As free trade agreements reshape how business is done in the Americas, companies like Montreal-based Gildan Activewear are restructuring their operations to gain a competitive edge in the global market. But does business success have to come at a cost to Gildan workers? This case study of Canadian T-shirt manufacturer Gildan Activewear provides a fascinating look at how apparel companies are adapting to the new trade regimes in the Americas, and the impact these changes are having on the lives of *maquiladora* workers who make Gildan products.

Gildan Activewear may not be a household name, but it's the largest wholesale T-shirt manufacturer for the North American market. Gildan's business success has been built on an aggressive strategy of seeking out cheap labour in the *maquiladoras* of Central America, Mexico and the Caribbean. This case study reveals the living and working conditions of the young women and men who assemble Gildan's T-shirts, and challenges the company to respect the rights of those workers.

Worker testimony

"Since I had really quick hands, I was placed on the production line from the beginning. At that time the target was 100 dozen, which was very hard, but I pushed myself and made it, because I didn't want them to fire me. When we could make that, they raised it to 150 dozen, and then raised it again. It's now double that.

We start work at 7:00 in the morning. I wake up at 4:30 a.m., get ready and then walk 30 minutes to the place where I take the bus at 5:30 a.m.

We have a 15-minute break, but, to be honest, we never take it because the pressure to reach our target is so strong. At lunch, we eat as fast as we can and go back to work right away. On the one hand you have the bosses, and on the other, your very own co-workers who get mad if someone is slow."

– Gildan worker, El Progreso, Honduras