



FAIR LABOR
ASSOCIATION

After the MFA: Challenges in Promoting and Protecting Worker Rights in a Changing Market Environment

Fair Labor Association
Stakeholder Forum
Santiago, Dominican Republic
June 12, 2007

Summary Report

The Fair Labor Association (FLA) held its first meeting in Latin America of its Board of Directors in Santiago, Dominican Republic, on June 13, 2007. Prior to the Board meeting, the FLA held a stakeholder forum with representatives from trade unions, non-governmental organizations, government agencies, suppliers, and brands working in Central America and the Dominican Republic, to share and exchange ideas and experiences. The morning session dealt with regulatory changes regarding apparel production and their implications for promoting worker rights in Central America and the Dominican Republic. The afternoon session focused on the current situation of the Dominican apparel sector potential actions that could be taken to assist the industry in adjusting to a changing market environment.

The Expiry of the MFA: Regulatory Changes and Implications for Workers

Jorge Perez-Lopez, Executive Director of the Fair Labor Association, opened the stakeholder forum with a presentation on the shifts in the framework governing world trade in apparel since the expiry of the Multi-Fiber Arrangement (MFA). Although apparel imports to the U.S. since 2005 have grown marginally (6% in 2005 and 4% in 2006), the principal suppliers have changed considerably. In 2004, the value of U.S. apparel imports from the Caribbean Basin and China were comparable, but by 2006, China had more than doubled its exports to the U.S., while exports from the Caribbean Basin actually contracted. Similar shifts can be seen with regard to the presence of exports of apparel from other Latin American nations in the U.S. market since the MFA expired on December 31, 2004. [Click [here](#) to see the power point presentation]

Homero Fuentes, Executive Director of the Comisión para la Verificación de Códigos de Conducta (COVERCO), a non-governmental organization (NGO) based in Guatemala, focused on labor rights challenges in the region. Along with weak labor laws, weak

judicial systems, lack of labor law enforcement, and lack of coordination between foreign trade and labor ministries, he also identified the weakening of the trade union movement -- not only in the number of trade unions but more importantly with respect to the establishment and enforcement of truly representative collective bargaining agreements. Unfortunately, the production and trade changes occurring in Latin American countries are not being accompanied by initiatives to improve labor conditions and strengthen labor rights.

Lynda Yanz, Coordinator of the Maquila Solidarity Network, an NGO based in Canada, urged brands, retailers and manufacturers to give serious thought to the social consequences that occur when production is shifted out of a country. Just as 50,000 garment sector jobs have been lost in the Dominican Republic in the last 18 months, similar numbers can be found elsewhere in the region. As the number of closures increases, workers are not only losing their jobs and their livelihood, but too often, the factories close their doors without fulfilling legal obligations to their workers, including not paying proper severance, back pay, and lack of access to public benefits. Within the factories that do remain open, there is increased downward pressure on wages and working conditions, greater anti-union tactics, and a further race to the bottom. She highlighted the need for brands to provide better demonstration and assurances that labor rights compliance is at the core of their reorganizing strategy.

Panel Discussion: Challenges in Promoting and Protecting Worker Rights

Ygnacio Hernández, General Secretary of the Federación Dominicana de Trabajadores de Zonas Francas y Afines (FEDOTRAZONAS), a trade union federation in the Dominican Republic, addressed the challenges surrounding freedom of association and collective bargaining rights. After 15 years of Labor Code application in the Dominican Republic, trade unions continue to wage a losing battle with their employers to accept their existence and the collective bargaining agreements they achieve. Given the recurrent production shifts and factory closures, the current objective of his trade union federation is not only to maintain jobs and keep factories open, but also to ensure that severance and other payments are made to workers. He suggested that the garment industry, in order to develop fully, needs a major overhaul and the brands should be required to enforce their codes of ethics. Entrepreneurs need to learn to accept lower profits, distribute the wealth, and respect workers' freedom of associational rights.

Benjamin Cuéllar, President of the Grupo Monitoreo Independiente de El Salvador (GMIES), an NGO based in El Salvador, stated that closures in the apparel sector is an unavoidable fact given the larger shifts that are going on in world production and trade after the FFA. Creative solutions need to be developed to create new jobs and promote the protection of workers' rights in the garment industry, both in factories that are still in operation and those that are closing. The Hermosa experience in El Salvador, where approximately 300 workers are still owed their severance, pension funds and healthcare benefits, is fast becoming a more common situation for workers affected by factory closures. He stressed the need for a collective solution to deal with these problems.

Maritza Paredes, Coordinator of the Equipo de Monitoreo Independiente de Honduras (EMIH), an NGO based in Honduras, focused on women's rights issues. Though huge improvements have been made in the area of women's rights in the international and national legal frameworks, there still exist problems regarding implementation. For instance, there are problems related to gender-based wages, hiring discrimination, and maternity benefits. In addition, there is a dichotomy between the concept of productive work and the responsibility for social reproduction (and caring for the family). Factory closures and supply chain restructuring have translated into a greater rate of loss of employment for women. There needs to be greater consideration of the impact of closures on local communities as more and more women become unemployed.

Fabia Gutiérrez, President of the Federación Sindical de Trabajadores Democráticos de Honduras (FESITRADEH), a trade union federation based in Honduras, discussed the challenges faced by trade unions. FESITRADEH has three affiliated unions and the other union federation in Honduras has its own *maquila* union. In the maquila sector, a fight continues to ensure worker rights, particularly respect for freedom of association, which is a frequently-violated right. For example, she has received threats on her life because she represents a trade union and supports workers in realizing their rights. In her opinion, the environment to organize workers is worsening in the maquila sector, and inherent weaknesses continue to exist within the trade union movement. In the end, there needs to be a common proposal of social sector organizations to change for the better the workplace conditions for workers.

Caroline Rees, Research Fellow, Mossavar-Rahmani Center for Business and Government, Harvard University, spoke about her research focusing on grievance and dispute resolution processes. The project looks specifically at the bottom-up processes that companies manage as grievances occur, and examines how the tension between fairness and consistency is handled. Outputs in the first year of the project include a mapping of the systems that currently exist and their functioning, and development of criteria for effectiveness to be tested among stakeholders. The next steps include an analysis of gaps among mechanisms and recommendations for bridging those gaps.

Restructuring the Apparel Sector of the Dominican Republic: Recommendations from an FLA Mission

Jennifer Bair, professor of sociology at Yale University, led an FLA mission to assess the condition of the Dominican apparel industry and identify possible opportunities to stabilize and improve its situation (Click [here](#) to see the FLA mission report). The mission resulted from a request made to the FLA by Dominican Vice President, Dr. Rafael Alburquerque.

In her presentation [click [here](#) for power point presentation], Professor Bair described the momentous shifts in the global apparel supply chain that have resulted from regulatory changes, the challenges faced by the apparel industry of the Dominican Republic, and the critical factors affecting the competitiveness of the industry. During the MFA phase-out, three trends have emerged: (1) consolidation; (2) contraction of the supply base; and (3)

demand from buyers for increased capabilities from suppliers. In the Dominican Republic, this has translated into apparel exports falling a full 25% over 2 years, while China's apparel exports have quadrupled. Simultaneously, there has been an extreme downward pressure on prices. The apparel industry has lost over 50,000 jobs in the last 18 months. The FLA mission report concludes with specific recommendations for all actors -- government, private sector, trade unions, NGOs -- highlighting the need for multi-stakeholder dialogue to find a solution to the crisis of the apparel industry of the Dominican Republic.

Panel Discussion: Reactions to the Mission's Findings and Recommendations

Magaly Pineda, Director of Centro de Investigaciones para la Acción Femenina (CIPAF), an NGO based in the Dominican Republic, criticized the feeble response by the Dominican government to the apparel industry crisis, and the irresponsibility of foreign investors as they close factories without taking into consideration the social impact of closures. She felt more pessimistic than the FLA mission report, stating that she did not see how the apparel industry could survive. She stressed that the priority should not be to try to save an unviable sector, but to develop a strategy of helping unemployed citizens and reducing the negative social impact of thousands becoming unemployed.

Richard Benoit, Legal Counsel of the Consejo Nacional de Zonas Francas de Exportación (CNZFE), a governmental agency, reported on actions already taken and being contemplated by the Government of the Dominican Republic to deal with the crisis facing the apparel industry. Actions already taken by the government include providing electricity and fuel discounts to free trade zone factories, putting into place security measures at Puerto Plata in order to facilitate exports of apparel products, and increasing training of the labor force.

Santo Sánchez, Vice President of the Federación Nacional de Trabajadores de las Zonas Francas (FENATRAZONAS), a trade union federation, stated that it was difficult to understand how the Dominican Republic could be seen as noncompetitive because although labor costs are higher than in other countries, wages paid to workers are insufficient to meet even food costs. He suggested that trade unions and NGOs in the region should work together to prevent brands from leaving the country by boycotting their products. Production shifts, he stated, are leading to hundreds of thousands of workers without employment and livelihoods.

Cam Gentile, Executive Vice President of Organizational Development and Change Management of Gildan Activewear, a company based in Canada, stated that unlike other companies that are closing factories in the region, Gildan has enhanced its presence, including in the Dominican Republic. He agreed with the findings of the FLA mission and said that removing political red tape and addressing infrastructure bottlenecks, with respect to electricity, roads, and port security, would be helpful to the apparel industry of the Dominican Republic. His company is making large investments in the country and believes that well-treated and generally happy employees help achieve the business mission of providing high quality products at low cost.

Vice President Dr. Rafael Alburquerque, who was present throughout the session, stated that the Government of the Dominican Republic is very concerned about the situation of the apparel industry. It is for this reason that he asked the FLA to conduct the fact-finding mission whose report was presented at this stakeholder meeting. Many of the actions taken by the government were already discussed by the representative of the CNZFE. The government is continuing to look for ways to assist the industry and its workers, including the possibility of some production sharing with Haiti pursuant to the Haitian Hemispheric Opportunity Through Partnership Encouragement (HOPE) Act. The government is also designing a comprehensive plan, jointly with INFOTEP, to manage the reentry of dislocated workers back into the workplace.

FLA President and CEO, Aurret van Heerden, in his closing remarks talked about the historical development and effects of unregulated labor markets. He emphasized the need for new regulatory mechanisms to deal with the realities of the apparel industry throughout the world. The tripartite social dialogue that exists in the Dominican Republic is a huge advantage in trying to find workable solutions to the crisis of the apparel industry. The commitment of the government, exemplified by the presence and remarks of Vice President Alburquerque, is also a positive factor. The FLA believes that it is very important to create space for multi-stakeholder dialogue at the national and international levels. We invite the engagement of all concerned stakeholders in dialogue and collaborative work toward improving the situation of the apparel industry and its workers in Central American and Dominican Republic.