Global supply chains link thousands of firms, large and small, across cultural and political boundaries. The workers at the end of those chains include men, women, and children whose rights are non-existent or ignored and whose level of victimization is often appalling. Obtaining protections as workers is the means by which to obtain decent living standards, basic human rights and the power to secure better wages and legal rights. Sexual abuse, forced labor, child labor, exploitation of immigrants combine with worker fear of losing livelihoods, homes, and country to create challenges for NGOs, national governments, and international labor, trade and financial organizations attempting to ensure decent working conditions. The power of transnational Brands, the weakness of governments and labor unions in many of the developing countries, and the complexities and elusiveness inherent in supply chains make both national regulation and firm competition ineffective guardians of worker rights. The result is cheap goods for first world consumers produced in circumstances that violate the international standards and norms legislatively sanctioned by their governments.

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Supply chains provide an entry point for analysis and a locus for leverage by first world actors, including the corporations, for improving conditions of workers in the global economy. Labor rights can empower workers to secure other human rights and more democratic governance.

To establish how an emphasis on labor rights facilitates human rights and worker well being requires an empirical analysis of if, when, and how advances in labor rights in supply chains lead to improved material conditions and human rights for those workers and for workers in the country more generally. To ensure that those rights are facilitated requires, in addition, documentation of effective strategies for advancing the rights of workers in global supply chains.

In what follows, we summarize what we know about how advances in labor rights help improve workers’ wages and general well-being. In the larger project, of which this paper is a part, we will build on the existing research to provide a more satisfying large-N analysis that is both theoretically rigorous and empirically valid of the link between improving freedom of association and other labor rights among workers in global supply chains with advances in: 1) material conditions (wages, hours, benefits); 2) human rights; 3) women’s rights and protections; 4) children’s protections; 5) immigrant rights; and 6) the conditions and rights of workers throughout the country.

In this paper, we examine three positive cases in which workers and unions from maquilas in the global South successfully negotiated settlements with multi-national corporations resulting in concrete improvements to their living and working conditions. In each of the three cases, we document how workers’ and unions embedded in complex supply chain relationships successfully mobilized around labor rights, domestic laws and
the contractual obligations of global Brands to redress specific labor grievances. Positive outcomes in all three cases required support from international NGOs, monitoring organizations and institutional purchasers in addition to worker collective action. We then consider how effective such campaigns are likely to be as a means to achieve such improvements more universally.

We use case studies to consider how, even in countries where labor laws are poorly enforced and governments lack the political will or resources to implement existing labor protections, the existence of labor protections provides opportunities for workers and unions to seek redress for labor grievances. This is particularly true when labor laws are supported by the contractual obligations of global brands which can be used as leverage by concerned consumer groups. While we do not suggest that where such protections exist improvements for workers will automatically follow, we do show that domestic legal protections and the contractual obligations of global brands to uphold certain labor standards provide opportunities for workers and unions to advance labor rights in ways that would not otherwise have been possible.

**Background**

Supply chains refer to the path a product takes before arriving as a finished item at its retail destination. Supply chains exist for virtually all extracted, agricultural and manufactured goods, but only recently have the human and environmental sustainability of the sources of what we use and eat become a political issue in the developed world. The 2009 Pulitzer prize-winning play, *Ruined*, effectively and influentially highlighted the relationship among conflict minerals, war, and the sexual abuse of women. Fair trade specialty coffee is now a real choice; its purchase supports producer cooperatives that
increase incomes, community development and protection of songbirds and the earth itself.

Supply chains can be very short: local farmers bring their goods to local markets. They can also be very long. In apparel, for example, typically the raw material is grown in one place, transported elsewhere to be woven, spun, or otherwise processed, transported at least once or twice again to be turned into the final product before being shipped to distribution centers and from there to retail outlets. Each step of this process involves workers producing and transporting, requires some form of quality control on behalf of the Brand whose label the apparel will bear, and often includes multiple farms, factories, and countries.

Supply chains have long existed, of course, but the ones Brands created in apparel in the recent global economy present new challenges. They are long and also insufficiently transparent to the point that even the Brands themselves have difficulty keeping track of subcontractor practices. Different suppliers are in different countries, with wide variation in the relevant regulations and their effective enforcement. Some of the workers are migrants without the rights (limited as they may be) even of the citizen-workers.

Illustrative of the problems are findings of trafficking in forced labor of migrants by a Nike vendor in 2008 in Malaysia and of child labor in GAP’s Indian supply chain in 2007. To prevent even further loss of reputation, both companies responded quickly with investigations and improved monitoring. They also discussed how best to use sanctions so as to preserve the jobs of subcontractor workers while raising subcontractor standards.

Despite their commitments to ethical supply chains, even these powerful
transnational corporations have difficulty obtaining vendor compliance to corporate
codes of conduct. Dan Henkle, Gap, Inc.’s Senior Vice President for Global Social
Responsibility makes this point strongly (http://ussc.edu.au/events/Ethical-supply-chains-
An-executive-roundtable), and MIT’s Richard Locke convincingly documents the deep
inherent problems with the compliance model (e.g., Locke et al. 2009). Clearly,
improvements in labor conditions will have to come from something other than Brand
monitoring.

   Passage of good regulations and their fair and universal implementation are the
long-term answer. However, governments often fail to enforce even the protective laws
that are on their books. Almost all countries have adopted the International Labor
Organization (ILO) basic principals against child labor, slave labor, sexual harassment,
forced overtime, uncompensated work, and violations of freedom of association, but ILO
enforcement is toothless. Too few countries, the United States among them, apply the
regulations universally even to their own citizens. Increased reliance on migrant laborers,
unaware of their rights or afraid to exert them for fear of deportation, reveals additional
regulatory weaknesses. Moreover, few of the destination countries, the US included,
implement the trade laws requiring suppliers to meet international standards.

   Historically, workers expanded their rights and protections through labor unions
and labor parties (see, e.g., Levi 2003; Seidman 1994; Silver 2003). In the developed
world more than a century of struggle by workers was necessary to obtain basic rights:
freedom of association, collective bargaining, minimum wages, maximum hours,
benefits, safe environments, universal education, suffrage, and prohibitions against
discrimination, sexual harassment, and violence. Many countries at the end of supply
chains have governments and employers that aggressively block labor organizations, firing union organizers and militants and even resorting to violence and murder (e.g., Guatemala). In other countries, labor unions exist in name only; they are in fact government or employer controlled groups (e.g., China). Where labor unions do exist, regulations make organizing and bargaining difficult (e.g., India) although in some cases the unions have nonetheless contributed to social movements to promote democratization (e.g., South Africa, Brazil). The 2009 annual survey of violation of trade union rights by the International Trade Union Conference (ITUC) found 76 deaths, numerous beatings and tortures, and approximately 7000 illegal dismissals of trade union activists worldwide, almost all in developing polities


What we know (or think) we know about improving labor rights

Some commentators simply berate Brands (Klein 2000). Others worry about the impact of globalized trade. American labor unions generally demand that developing countries meet ILO standards. They may honestly hope to improve international working conditions, but they are also motivated to prevent more jobs going overseas and a “race to the bottom” for all: unfair competition will reduce everyone’s wages and working conditions to the lowest common denominator. This has the whiff of a protectionist position, a characterization often shared by unions in developing countries. This was a major point of contention at the 1999 Seattle meeting of the International Confederation of Free Trade Unions (ICFTU) prior to the protests against the World Trade Organization (WTO).

A debate rages among economists about the long-term benefits of giving low-
wage workers full legal protections. In standard economic trade and labor theory (e.g., Bhagwati 2004), any effort to improve the conditions of workers raises their costs and thus moves trade away from the developing countries, depriving poor people of immediate livelihoods and inter-generational betterment. Milton Friedman discusses American migrants similarly; after all, his mother, a sweatshop worker, was able to provide educations for her children (Friedman and Friedman 1980). Joseph Stiglitz (2002), another Nobelist, argues in opposition to the Washington consensus; he finds real losers from recent international development practices and advocates improvements in labor standards. The distinguished but non-conventional Harvard labor economist, Richard Freeman (Elliott and Freeman 2003) considers the strengths and limitations of international organizations’ role in raising standards, which he believes will increase worker productivity and competitiveness.

Most of the economic debate is at the level of micro-economic theory. While it cites facts and examples, it offers little in the way of sustained empirical investigation. The popular perspective is equally anecdotal. Despite numerous case studies, developed by NGOs, academics, and the Brands themselves, this work has yet to be integrated into a convincing whole.

A few have tried. Cingranelli, Clay and Barry find an inevitable trade-off between labor protections and unemployment, arguing that stronger labor protections lead to greater unemployment in the aggregate and thus workers’ rights are ‘bad for business’ (Cingranelli, Clay and Barry, 2011). On the other side of this debate, Heymann and Earle (Heymann and Earle 2010) use a combination of quantitative and qualitative evidence from 190 countries in an effort to demonstrate that stronger labor protections are in fact
correlated with both lower unemployment and greater competitiveness in the global economy.

Despite these useful contributions, more analytically informed empirical work remains necessary. While Heymann and Earle make a number of compelling arguments to suggest that labor protections lead to concrete improvements for workers, their actual quantitative empirical analysis focuses almost exclusively on OECD countries, i.e. those in the developed world where economies and states are functioning relatively well. Their analysis fails to speak to the condition of most of the workers in the supply chains that interest us. Where they do look at situations specific to developing world contexts (such as the maquila industries in Cambodia and Mexico), they do not offer much in the way of explanation for the correlations they find.

**Successful strategies**

There appear to be several strategies for improving labor rights that produce significant improvements in human rights and worker wellbeing more generally:

1. National
   a. enforcement of labor standards
   b. Training of managers.

2. Corporate
   a. Internal corporate compliance
   b. Training
   c. Direct investment

3. Campaigns
   a. Union drives
b. Fair trade and ethical consumption campaigns  
c. Institutional purchasing power  

Few systematic political economic analyses exist of how improvements in the content and implementation of national labor regulations affect the long-term rights and well-being of workers in developing countries. We know that national political institutions make for big differences in the consequences of globalization (e.g., Garrett 1998), and we know some of the conditions that facilitate advances for workers (Mosley 2011). In evaluating the conditions under which international protections such as workers’ rights and environmental regulation are enforced at the domestic level, scholars have pointed to factors such as the strength and nature of laws in countries of origin (Prakash and Potoski 2007), the nature of laws in destination countries for export goods (Heritier et al 2009, Greenhill, Mosley and Prakash 2009) and high rule of law in factory locations (Locke 2009). We also know that some systems of private voluntary regulation (for instance, multi-stakeholder initiatives and independent monitoring as opposed to internal company audits) are more effective than others in encouraging better labor practices (Esbenshade 2004, Locke 2007, Rodriguez-Garavito 2005).

If countries enforced the laws on their books and if this was done universally, there is no doubt the result would be significant improvements in workers’ lives. However, this goal remains a pipe dream. Countries, in competition with each other for the business of Brands and the location of factories, generally compete by offering lower costs. This more often than not implies turning a blind eye to labor abuses and violations of labor and environmental standards. A few countries attempt to compete by improving
labor standards and, hopefully, therefore worker productivity. One means is by training managers; the research on the effects of nationally-based training programs is on-going.

Brands have similar incentives. They compete by lowering prices, usually through lowering the costs of inputs. Despite efforts by some Brands to improve both compliance with corporate codes through monitoring of factories and training of managers, the results are at best mixed. Scholars such as Smith and Feldman (2003) and Locke et al (Locke et al. 2007a; Locke et al. 2007b) have examined variation in company codes of conduct for understanding divergent labor policy and practice. Where some codes of conduct employ vague language and abstract principles that prove difficult to implement or enforce, others are littered with highly specific provisions relating to the locations of fire extinguishers and bathroom facilities (Locke et al. 2007a). Similarly, some codes of conduct contain detailed provisions protecting employees against excessive work hours, below-living wages and the provision of sufficient benefits for employees and their families while others are geared towards simply protecting firms from legal accountability for subcontracted employees (Locke et al. 2007a)(Ebenshade 2004).

There is some increasingly strong evidence, however, that direct investment by corporations versus short-term contracting with local factories leads to greater enforcement of national regulations as well as improvements in worker well-being (Mosley 2011). Knights Apparel’s Alta Gracia factory exemplifies the advantages of direct investment in creating simultaneously material improvements for workers and quality assurance for corporations.

To date, the most effective strategies appear to involve mobilization, by organized
labor (Anner 2011) or organized consumers (Linton 2011; O'Rourke 2011). Below we document the importance of domestic worker mobilization. International labor confederations, such as ITUC and the International Textile, Garment and Leather Workers’ Federation (ITGLWF), have waged important campaigns to raise public awareness in both consuming and producing countries, putting pressure on governments to enforce regulations.

Changing the buying practices of consumers by making workers’ rights salient has been an important impetus to change in corporate practice. Fair trade and ethical consumption campaigns have made significant headway in the specialty coffee market, for example (Levi and Linton 2003). Advances have occurred even in garments and electronics, where the supply chains are longer and consumers arguably more price-sensitive. Ethical consumption practices exist and are increasing (O’Rourke 2011), but field experiments have shown that fair trade labels only influence purchasing decisions among certain subsets of consumers (Hiscox and Hainmueller 2011a, 2011b, Hiscox and Smith 2012). Student groups and rights activists have played an important role. Institutional consumers, such as universities, churches, and governments have influenced Brand behavior by rewarding—with purchases—ethical production and embarrassing the Brands when violations emerge. Some investment houses have begun to advise clients that ethical business is profitable and sustainable. Yet we still know too little about when and why ethical consumption campaigns and corporate social responsibility practices of firms and institutional purchasers lead to improvements for workers.

**Three Positive Case Studies in Central America**

Campaigns that originate in the consumption country have received some
attention, but the tactics of actors in the producing countries far too little. This paper focuses on three successful cases involving labor negotiations in the apparel industries in Honduras and Guatemala. Central American economies like Honduras and Guatemala are dependent on the operations of maquilas, a term that is used for manufacturing enterprises that produce goods for foreign clients. For example, in 2006 10.8% of Honduran households depended economically on a family member employed in a maquila (Bussulo and De Hoyos 2008), and approximately 25% of the female labor force in the country was employed by maquilas.

World Bank data reveals that the per capita GDP in Honduras at the time of our cases (2007-2010) was between $1,731-2,026 USD. The most recent available ILO data on employment estimates 2.9% total unemployment in 2007 but this figure obscures an enormous number of workers who are considered to have “vulnerable employment” situations, which in Honduras in 2007 was an estimated 50% of workers. A Congressional Research Service report to the U.S. Congress notes that Honduras is still the third most impoverished nation in the Western hemisphere with development challenges that include an estimated poverty rate of 64%; an infant mortality rate of 34 per 1,000; chronic malnutrition (33% of children under five years); an average adult education level of 5.3 years; and rapid deterioration of water and forest resources, as well as a significant HIV/AIDS crisis, with an adult infection rate of 1.8%. A U.S. Department of State report also notes that, “Because of a strong commercial relationship with the United States, Honduras was hit hard by the international economic downturn, especially in the maquila industry, where orders were estimated to have declined about

1 Congressional Research Services Report to Congress on Honduras by Mark P. Sullivan can be found at http://www.fas.org/sgp/crs/row/RS21103.pdf
40%, and where about 30,000 workers lost their jobs in 2008 and 2009 out of a pre-crisis workforce of 145,000…Over one-third of the Honduran workforce was considered either unemployed or underemployed in 2010.”

Likewise, the per capita GDP in Guatemala has ranged from $2,319 USD in 2006 to $2,863 USD in 2010 (World Bank 2011). The latest ILO statistics estimate 3.1% total employment in Guatemala in 2004 but as in Honduras, 49.9% of the Guatemalan workforce in 2004 were considered to be in a “vulnerable employment” situation. The United Nations Development Program (UNDP) estimates that in 2005, 29% of the population in Guatemala was living below the international poverty line. The dire economic situation of most Guatemalan citizens has only worsened in the past several years as a food crisis and widespread narco-trafficking violence has made everyday life in Guatemala more difficult. A number of international organizations have expressed concern with Guatemala's current economic status in 2009. The United Nations World Food Programme (WFP) and the World Bank reported that Guatemala now has the fourth highest rate of chronic malnutrition in the world and the highest in the Western Hemisphere. Approximately 75% of Guatemalans live below the poverty level and 58% of the population have incomes below the extreme poverty line, (meaning people who cannot afford to purchase a basic basket of food). The WFP estimates that 50% of Guatemalan children under the age of 5 now suffer from chronic under-nutrition.3

These statistics underline the importance of the jobs lost at the bankrupt factories where workers did not receive their terminal pay and why the issue of terminal pay was

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2 U.S. Department of State Background Note on Honduras can be found at http://www.state.gov/r/pa/ei/bgn/1922.htm

so crucial for workers. When former Hugger and VisionTex factory employees involved in a dispute with Nike brand (detailed in the section below) protested in Choloma in early July 2010, their signs read “We Demand Our Rights” and “Nike: Our Children Are Hungry,” which some outside observers may be tempted to imagine is hyperbolic but with reference to the chronic malnutrition statistics cited above, is sadly an actual consequence of the workers’ termination without pay.\(^4\) Not only is receiving back pay and severance of overriding importance to apparel industry workers when factories close, it is unfortunately commonplace that they never receive those wages. Moreover, even though countries where apparel production is a major industry may have laws on the books mandating employers to award terminal pay to workers, domestic legal systems are often too weak or even sometimes too corrupt to enforce these laws.

**The Case of Nike**

The Nike case represents an example of a complicated and lengthy multinational labor rights campaign in which terminated factory workers and their union successfully negotiated the payment of severance, the extension of healthcare benefits and priority rehiring. The case began with the closure of two apparel factories in Honduras subcontracted by the Nike Corporation and ended with the announcement that Nike would set aside $1.5 million in an emergency relief fund for the terminated workers. Labor activists both in Central America and the U.S. celebrated what is a major victory in their long-term struggle to redress labor grievances that occur at the lowest levels of the supply chain.

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\(^4\) A video of the protest is available here: [http://www.youtube.com/watch?v=u3fhGJ91BOs](http://www.youtube.com/watch?v=u3fhGJ91BOs)
In January 2009, two Honduran factories in the country’s manufacturing zone near San Pedro Sula, declared bankruptcy and closed for business, terminating 1,800 employees. The bankruptcy of the two factories, Hugger and VisionTex, was a direct consequence of Nike’s decision that there would be no further orders for apparel products for either of the two factories. The factory owners almost immediately disappeared without paying workers their last paychecks or legally-mandated severance. Despite the bankruptcy of the factories in question, Honduran law guarantees a worker’s right to all wages earned, as well as to severance pay and healthcare benefits that extend for a year after unemployment. In this case, the workers, distressed not only by their sudden unemployment but also by their missing severance pay and the termination of their healthcare coverage, brought these issues to the attention of their union, the Central General Trajabadores (CGT Honduras) who, in turn, communicated the grievances to the Workers’ Rights Consortium (WRC), headquartered in the United States. Scott Nova, Executive Director of the WRC (an organization dedicated to monitoring labor grievances in maquilas) reports, “We learned of the problems at Hugger and VisionTex from the CGT…essentially on the day that the factories were closed and we immediately notified Nike of the problem.” Nova explains the importance of the claims to the terminated workers:

It’s important to note that legally mandated severance, which is not a fixture of the U.S. labor market, is a very common legal requirement in most countries from which apparel is exported to the U.S. and it’s also important to understand that the reason why most of these countries mandate that employers pay severance is that there is no other form of social insurance…So when people lose a job, this legally mandated severance is all they have to rely upon and because the severance laws are relatively generous, it’s often the case they are legally entitled to upwards of half of year, a full year, or perhaps a year and a half of salary and indeed for many workers and families, it’s the largest single sum of money they’ll ever see in their lives. So whether or not it’s paid in full is an issue of overriding importance…(Nova 2011).
The local campaign in San Pedro Sula was largely coordinated through CGT representative Evangelina Argueta. Both Lynda Yanz, Director of Maquila Solidarity, and Scott Nova pointed out the extraordinary organization and leadership of the CGT under Evangelina Argueta that made the union so effective during the Nike campaign. Following extended communication and cooperation with Ms. Argueta, the WRC conducted an independent investigation into the allegations by interviewing the workers at the former Hugger and VisionTex factories and auditing available financial documents from the factories (Nova 2011). Nova reports “the most significant element of [the WRC’s] investigative process is interviews and conversations with workers, which are conducted offsite away from the factory in locations where the workers are comfortable speaking candidly and, of course, it’s particularly relevant in this case that we also talk to workers’ organizations” (Nova 2011).

The WRC distributed a report based on its investigation that concluded that the owners of the Hugger and VisionTex factories, subcontractors of Nike’s, had failed to pay more than $2 million in severance owed to their workers under Honduran law. Nova notes that, “…This is a case where the documentation of the problem, frankly, was not terribly difficult. There was really no dispute about the fact that workers had not been paid, it’s a relatively straightforward proposition to calculate what’s owed to each worker and what’s owed in the aggregate and the real question was, was Nike going to take action to solve the problem?” (Nova 2011). Thus, the identification of the labor rights
violations and the collection of evidence to support those claims were complete and summed up in a useful and coherent format in the WRC report.⁵

From that point, activists in the U.S. passed on information about the labor rights violations to various institutional purchasers, specifically universities, which became the primary site of a multi-stakeholder labor rights campaign. The process of debating and interpreting the information about the labor rights claims being made was lengthy and complicated and cannot be adequately addressed here but are documented in detail in a separate paper (Greenleaf, Lake, Levi, forthcoming). Ultimately, the combination of effective union organization, the mobilization around domestic legal protections, as well as Nike’s code of conduct and contractual obligations with its institutional purchasers, and the successful mobilization of consumer pressure by NGOs on U.S. campuses meant that Nike was pressured to assume responsibility for the workers terminated by its subcontracted factories. While Nike consistently denied any legal or contractual obligations to pay severance to the terminated employees, the pressure placed on the corporation throughout the campaign made it difficult for Nike to reject the union demands out of hand.

So what gains, in the end, were workers able to make through the campaign? Through protracted negotiations with multiple stakeholders, Evangelina Argueta and her colleagues campaigned for benefits and severance, highlighting the very real struggles that the terminated workers were facing as a result of their unemployment. The settlement that was eventually reached between Nike and CGT in July of 2010 included the establishment of a $1.5 million USD fund to reimburse workers the legally mandated

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terminal pay that they did not receive at the time the Hugger and VisionTex factories went bankrupt. The CGT originally assessed the amount owed to workers at Hugger to be $2,030,360 USD and $571,896 at VisionTex. A total of $425,990 USD was raised through liquidation of factory assets, which means that after the liquidation of assets and the disbursement of the fund, approximately 80% of the workers original claim was reimbursed.

The distribution of the fund is being supervised by the CGT, the Center for Solidarity and the Consortium for Workers’ Rights. The lead supervisor is Professor Lance Compa at Cornell University. Nike also agreed to pay to enroll the workers in Honduras’ Social Security services for one year or until they find new employment (whichever comes first). The enrollment includes health insurance coverage, which was an important component of the settlement for the workers. The remainder of the settlement entailed a vocational re-training program as well as the promise of priority re-hiring in the event that Nike subcontracted with other factories in the area. The estimated value of the vocational training program for the workers is unknown and is the only area of contention between Nike and the CGT as the implementation of the settlement has proceeded. The Workers Rights Consortium has publically expressed concern that few of the workers who have gone through the vocational re-training program have been re-hired. However, it remains undisputed that the negotiations between CGT Honduras and Nike, which were supported heavily by organizations such as the WRC and Maquila Solidarity, have resulted in concrete advancements for the terminated workers that few believed would ever be realized.

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6 The authors will be interviewing Lance Compa on Oct. 17th 2011 about the distribution of the fund. The details of this interview will be presented in person at the Better Works conference.
**The Case of Estofel and Gear for Sports**

In November of 2007, a factory called Estofel closed on the outskirts of Guatemala City. Without paying workers their terminal compensation, the factory owners absconded, leaving workers to seek alternative means to securing their rightful benefits. Through a local union called Vestex, the Guatemalan workers connected with a group of University of Washington study abroad students as well as the WRC. As the students learned about the workers’ plight, it also became clear that universities were not simply a witness to case but were intimately involved as end purchasers of the apparel that the factory had been producing. As a WRC report on the situation explains, the factory was owned by the Ghim Li Gorup, a Singapore-based apparel manufacturing group, that subcontracted for Gear for Sports (which produces Champion brand university logo apparel under license from Hanesbrands). The factory also produced non-collegiate apparel for Hanesbrands and Phillips Van Heusen, among other clients.

During the course of the settlement negotiations, the Ghim Li Group (GLG) claimed that a number of former Estofel employees had forfeited their right to terminal pay by accepting partial payment at an earlier juncture. However, the WRC consulted with a Guatemalan labor law expert who concluded that workers cannot be made to waive their right to their full benefits, whether or not they had received partial pay. At the same time, the workers had filed a lawsuit against the GLG in Guatemalan court. However, part of the settlement reached between the GLG and the workers entailed that the lawsuit be dropped before any verdict was reached. The final settlement between the workers and the Ghim Li Group, which owned the Estofel factory, entailed establishing a
fund of $535,000 USD to pay partial retribution of severance pay to the workers. This fund was distributed by the Commission for the Verification of Codes of Conduct (COVERCO) amongst 871 former factory employees (representing about 95% of the former Estofel employees).

Each worker received approximately $600 USD. To put this amount of remuneration in context, the Guatemalan NGO STITCH reports that the current *maquila* industry minimum wage is $3.70 USD (Q29) per day, which means that a $600 USD settlement represents almost six months wages. STITCH estimates that “with production bonuses and overtime, a good machine operator in a large *maquila* earns about $170 USD (Q1300) per month.”\(^7\) The Guatemalan government estimated in January 2011 that the living wage that would allow a family to buy a basic basket of food this year was 2,172 quetzales or $276 USD and a basic basket of food as well as other necessary goods and services was 3,965 quetzales or $503 USD per month.\(^8\) These estimates imply that the average *maquila* worker in Guatemala is earning far below a living wage and needs every paycheck simply to make ends meet.

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**The Case of Russell Athletics**

In November 2008, the Russell Corporation, a subsidiary of Fruit of the Loom based in Atlanta, GA, was accused of a series of labor violations in its Honduran

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\(^7\) These statistics can be found on the STITCH website at [http://www.stitchonline.org/index.asp](http://www.stitchonline.org/index.asp)

\(^8\) These estimates were reported in the Guatemalan news and can be accessed here on the web: [http://www.deguate.com/artman/publish/ecofin_noticias/costo-de-la-canasta-basica-sigue-en-alza.shtml](http://www.deguate.com/artman/publish/ecofin_noticias/costo-de-la-canasta-basica-sigue-en-alza.shtml). All conversions from quetzals to USD are based on current exchange rates.
factories. A number of vocal Russell employees in the Honduran factories Jerzees de Honduras and Jerzees Choloma (apparel assembly plants located in Honduras’ Indhelva free trade zone and employing roughly 1,800 workers) accused their managers of conducting a two-year campaign of employee intimidation resulting in the illegal termination of 145 union supporters in 2007. Following increased activism by disgruntled employees, the Russell Corporation closed Jerzees de Honduras in 2009. Russell claimed economic necessity. It was apparent to many factory employees, as well as to monitoring organizations and NGOs involved in ongoing investigations, that the firing of labor organizers and the subsequent factory closure was not in fact, the result of economic necessity but instead a direct response to attempts by workers to unionize, a right explicitly protected under domestic, regional and international law as well as in the codes of conduct of many of Russell’s university business partners.

A WRC report notes that in March 2008, a supervisor at Jerzees de Honduras stated that: “this factory is going to close because of the union…The workers will starve because they got involved with a union.” In similar statements, the WRC reports that the facility’s general manager stated, “the plant has high efficiency, but unfortunately, because of a union, the factory may close”, and Russell’s regional head of human resources, claimed that “There is a group that is a group of anti-social people who are forming a union … but we are not going to accept this in the factory.”⁹ Workers claimed that the closure of Jerzees de Honduras and Jerzees Choloma by the Russell Corporation unlawfully deprived factory employees of the livelihoods on which they depended for survival and violated protections enshrined by law concerning rights to freedom of

⁹ WRC Report, 2009
Following the factory closures and termination of employees, a subset of aggrieved workers communicated their concerns to the Honduran union confederation, Central General de Trabajadores (CGT). CGT Honduras filed third party complaints on behalf of workers at the factories with WRC and the Fair Labor Association (FLA) on the grounds that labor protections enshrined in the codes of conduct of Russell’s institutional purchasers had been violated.

In response to these complaints, both the WRC and the FLA immediately sent investigators to collect evidence on the alleged violations. WRC and FLA representatives conducted interviews with employees, government officials, and apparel industry representatives and analyses of documentary evidence.

Throughout the investigation, Russell maintained that the factory closures and terminations resulted from the decline in the market for fleece products and subsequent oversupply. The reports caused the FLA to place Russell under “special review,” which is the highest level of sanction that the FLA can take against a member company. The WRC also collected credible evidence that the exercise of associational rights was a significant factor in Russell’s decision to close the factory. The WRC noted that factory closure and the termination of employees on these grounds explicitly violated the codes of conduct of many of Russell’s institutional purchasers.

As pressure from Russell’s institutional purchasers mounted in response to these findings, Russell agreed to enter into negotiations with CGT, who called for the reinstatement of terminated employees and protections for collective bargaining. In November of 2009, after a long negotiation process, Russell Athletics and CGT reached a
multi-part settlement. In response to union demands, supported by pressure from a number of different stakeholders, the settlement specified that Russell would establish a unionized apparel factory of “substantial size” called Jerzees Nuevo Dia, which would offer employment to all former Jerzees de Honduras employees. Ultimately 1,200 workers were re-employed. The average wage at a Honduran maquila is 121 lempira or $6.40 USD per day, which is about $192 USD per month or $2,304 USD per year\(^\text{10}\). This means that the wage of an average maquila worker in Honduras is slighter higher than the average per capita GDP for Hondurans which is between $1,731-2,026 USD. However, it also means that the average maquila worker is only earning 58% of the estimated living wage for Honduras.\(^\text{11}\)

A union, SITRAJERZEESH, organized at the new factory, and Russell agreed to training programs that would help establish a culture of respect for freedom of association. Part of that effort also included hiring an ombudsmen and offering mediation for workplace disputes. Russell also agreed to establish a workers welfare fund to provide assistance to displaced workers. In May 2011, Russell and SITRAJERZEESH signed a collective bargaining agreement, resulting in the hiring of an additional 250 workers at Jerzees Nuevo Dia, as well as a 19.5% wage increase, free transportation to and from the worksite and lunches (which workers had previously had to pay for themselves). Russell also made a significant investment in new machinery that increased production

\(^{10}\) Accurate data on average wages at maquilas is difficult to obtain but the best estimate we found was made by a representative of the NGO, Colectiva de Mujeres Hondureñas (The Honduran Women’s Collective). Their research can be accessed on their website at http://www.codemuh.net

\(^{11}\) Honduran unions estimate that a living wage for Hondurans would be 6,300 lempiras per month (about $334 USD). There are multiple ways to calculate a living wage (canasta basica). See this site for more discussion of Honduran and other central American government calculations: http://hondurasculturepolitics.blogspot.com/2010/09/minimum-wage-or-living-wage.html
efficiency. Each individual’s wages depended on the number of apparel pieces she or he produced per day; thus, the investment in more efficient machinery also resulted in a wage increase for workers.

The WRC writes: “These successful negotiations constitute full implementation of two critical components of the accord Russell signed with [CGT] and of the company’s remediation agreement with the WRC: 1) the obligation of Russell to bargain in good faith with the Jerzees Nuevo Dia workforce, and 2) the obligation to rehire, over time, all of the former employees of Jerzees de Honduras. There are roughly 200 of these workers, out of the initial group of 1200+, who have not yet been hired; under the new contract, all of these workers will be offered jobs at Jerzees Nuevo Dia”.

WRC congratulated SITRAJERZEESH, as well as its parent federation, CGT, and Russell/Fruit of the Loom on achieving a contract that sets a new standard for labor-management relations in Honduras’ apparel industry.

Conclusion

Without doubt, the economic well-being of workers improved with the negotiated settlements of these three cases. While domestic legal protections, as well as rights enshrined in corporate and institutional codes of conduct provide the tools around which workers and unions mobilize, in each of the three cases union success required the support of domestic and transnational actors. The documentation of positive outcomes in these three cases, suggests conditions under which labor rights campaigns produce improvements in worker living and working conditions..

On the other hand, the cases also reveal that in some instances, e.g. Russell, worker activism can lead to deterioration in working conditions if it precipitates factory
closure. It required an extraordinary and well-coordinated campaign to compel Russell to reopen the factory and to engage in collective bargaining. Future large-N research is necessary to establish the circumstances, if any, that ensure labor rights will produce long-term improvements in worker well-being.

In the vast majority of cases labor violations are not even reported and, in the few cases where grievances are filed, they are frequently met with resistance and failure. It has been the goal of this paper, however, to demonstrate that, despite resistance from global brands and the frequent failure of weak governments to implement or enforce labor laws, union demands - when supported by transnational labor and human rights movements, as well as the enforcement of institutional codes of conduct and pressure from ethical consumption campaigns – can, under certain circumstance, significantly improve conditions for workers at the bottom of the supply chain.

Ultimately, however, long-term and sustained improvements in labor’s material conditions and rights depends on the combination of enforcement by governments of national regulations, corporate and factory self-regulation, and civil society and labor organizations that make demands and act as watchdogs and whistleblowers. So far, only the third is well-entrenched, placing an incredible burden on under-resourced and over-stretched unions, NGOs, and activist groups.
Works Cited


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