

# Bargaining for Decent Work and Beyond:

## Transforming Work and Lives through Collective Bargaining Agreements in the Honduran Maquila Sector



May 24, 2022

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**CGWR**  
Center for Global Workers' Rights

With the Honduran Research Team  
and Luis Mendoza

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The Center for Global Workers' Rights (CGWR)

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The Center for Global Workers' Rights (CGWR) was established in 2012 as a research center within the School of Labor and Employment Relations at the Pennsylvania State University. It has a particular focus on structurally and legally vulnerable workers in precarious sectors of the global economy. This includes garment workers in global supply chains, agricultural workers, domestic workers, and informal economy workers. It publishes research reports, funds student projects on workers' rights, organizes scholar-practitioner exchanges, and co-hosts the Global Labour Journal. It is home to the Labour Rights Indicators, a comprehensive global database on workers' rights that established the foundation for the U.N. Sustainable Development indicator for Goal 8.8.2 on workers' rights. The Center works in close association with the School's Master of Professional Studies (MPS) program in Labor and Global Workers' Rights as part of the Global Labour University.

### **Mark Anner, Author and Primary Investigator (PI)**

Mark Anner is the founding Director of the Center and a professor in the School of Labor and Employment Relations. He also directs the School's Master's Program in Labor and Global Workers' Rights, which is a part of the Global Labour University network. He holds a Ph.D. in Government from Cornell University and a Master's Degree in Latin American Studies from Stanford University. Among other recognitions, he is the 2019 recipient of the Labor and Employment Relations (LERA) Susan C. Eaton Outstanding Scholar-Practitioner Award. His current research examines the adverse impacts of purchasing practices on workers in global supply chains and efforts to address them through binding agreements, labor organizing, and collective bargaining.

### **The Honduran Research Team**

The Honduran Research Team is made up of sixteen workers, labor rights advocates, and trade unionists who participated in the section of the report based on a survey of Honduran workers. The team helped to design the survey, conducted interviews, and participated in an analysis of the results. The names of the research team are provided in the acknowledgment section.

### **Luis Mendoza, Research Assistant**

Luis Enrique Mendoza Choque is a labor lawyer from Peru with a MPS in Labor and Global Worker's Rights at Pennsylvania State University and a Master of Laws in International and Comparative Law with concentration in Human Rights at the George Washington University. He is currently a professor of law at the Pontificia Universidad Católica del Perú. He provided research assistance on this report, mostly importantly by coding, tabulating, and analyzing the content of collective bargaining agreements. He also translated the report to Spanish.

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## Executive Summary

1. A national and international campaign for workers' rights at a Fruit of the Loom-owned factory in Honduras led to a significant agreement between the corporation and worker representatives to remedy violations of freedom of association. Over the subsequent years, this agreement led to an expansion of Collective Bargaining Agreements (CBAs) throughout the garment export sector. This report focuses on the impact of those agreements in Honduras.
2. The legally-binding agreement, signed in 2009, was the result of union organizing by CGT unions in Honduras, a concerted campaign by United Students Against Sweatshops (USAS), and support from US unions and the Solidarity Center. The Worker Rights Consortium (WRC) provided documentation of the original labor rights violations at the FOTL factory and has played an instrumental role in monitoring to the agreement. Fruit of the Loom (FOTL), with the facilitation of Claude Fontheim, negotiated with the unionists in good faith and helped to make this pathbreaking agreement possible.
3. Following the signing of the 2009 agreement between Fruit of the Loom (FOTL) and Honduran workers, there was a dramatic growth in unionization and collective bargaining at Honduran factories owned by FOTL and at factories owned by other companies. By the end of 2021, there were 22 CBAs in the export assembly sector covering 50,625 workers. Of these, 45,737 workers are in the garment export sector, which represents 44% of the 105,000 garment workers in Honduras. CBAs cover workers in factories owned by multinationals as well as those employed at factories owned by Hondurans. Among major apparel exporting countries, Honduras currently has the highest percentage of workers covered by a collective bargaining agreement achieved by independent unions.
4. Through an analysis of various data sources, in-depth interviews, and a survey of 387 workers in the Honduran maquila sector (export-oriented manufacturing in the garment, textile, and auto parts sub-sectors), this report documented the profound and far-reaching impact of CBAs on the working conditions and lives of workers.
5. When compared to workers who do not have a CBA, Honduran garment workers with CBAs are 67% more likely to always have the choice as to whether or not to work overtime, 82.1% more likely to always have a lunch subsidy, 93.6% more likely to have access to a company savings and loan account, 56.3% more likely to have free transportation to work, and 83.1% more likely to find that work intensity is not increasing over time.
6. In Honduras, poor conditions of work (low wages, high production targets, long hours, and abusive treatment) compel workers to migrate. However, the survey revealed that workers in this country that are covered by CBAs in the workplace are 25.3% less likely to want to migrate, relative to workers without CBA coverage, as they have more access to decent work, fair wages, and safe working conditions, reducing economic coercion and other factors that compel migration.
7. Workers not covered by a CBA are 20.3% more likely to face verbal abuse, and female workers who are not covered by a CBA are 10.7% more likely to face sexual harassment on the job when compared to workers who are covered by a CBA. Notably, female workers covered by CBAs are 119.8% more likely to have a valid mechanism at work for addressing gender-based violence and harassment in the world of work. Most workers covered by CBAs also receive various maternity and paternity benefits, including extend leave time.



8. The expansion of collective bargaining has also allowed unions to consolidate their power and extend their impact beyond unionized workplaces through national, tripartite bargaining with employer and government representatives. In recent years, this included tripartite negotiations in which unions achieved significant minimum wage increases over a five-year period for all maquila workers and employer and government economic support for maquila workers during the COVID-19 lockdown of early 2020. It also included bipartite negotiations for a subsidized housing program through which workers were provided support to make a down payment on a new home.
9. As a result of multiple-year minimum wage negotiations held in 2018, workers have been receiving a 7.5% to 8% wage increase every year. On top of this wage increase, workers covered by CBAs received an additional 6.5% wage premium. In 2021, this amounted to an average 14% wage increase for workers with CBAs (7.5% due to the union-negotiated minimum wage increase, and an additional 6.5% through enterprise bargaining).
10. During a 2020 COVID-19 lockdown instituted by the Honduran government, businesses were required to shut down for several weeks, during which time most garment workers were suspended without pay. However, unions negotiated economic support of HNL 2,500 (USD 104) per month from employers and HNL 3,500 (USD 146) per month from the government for garment workers. However, this was a non-binding agreement, which meant that pressure through unions was often needed to ensure employer participation and government compliance. The survey data indicates that 84.0% of workers with unions and CBAs received the employer wage subsidies whereas only 65.9% of workers without CBAs received these payments. And 64.4% of workers with unions and CBAs received government payments versus 43.5% of workers without CBAs who received the payments. Moreover, workers with unions and CBAs were paid the subsidies for 2.0 to 2.4 months, whereas workers without CBAs received payments for 1.3 to 1.8 months.
11. The survey data also allow for a comparison of the impact of CBAs versus private social compliance (CSR) programs on workers' lives. The data show that workers with CBA coverage at the workplace earned, on average, 7% more than workers with CSR inspections but no CBA coverage. Workers with CBAs (relative to workers with CSR inspections but no CBAs) also were more likely to have the choice as to whether or not to work overtime, a savings and loan program, a scholarship fund, school supplies for their children, and free transportation to work.
12. Overall, CBAs at Honduran garment factories (as well as national tripartite bargaining by unions) have had a profound impact on the lives of workers, securing significant economic benefits while also providing workers with respect and dignity at work. Indeed, the achievements in Honduras could be undermined should garment workers in other parts of the world not achieve similar benefits by way of collective bargaining. Employers in Honduras are increasingly telling the workers with CBAs that they are becoming too expensive relative to garment workers elsewhere. In reality, CBAs give workers safe jobs and lives with dignity while workers without CBAs earn poverty wages, have unsafe jobs, and desperately need the benefits of organizing and collective bargaining. The significant number of unionized apparel factories in Honduras offer garment workers and employers throughout the world a model for a sustainable solution to poor working conditions in the sector.

## Introduction and Report Overview

This report examines the importance of collective bargaining agreements (CBAs) for addressing poor working conditions in global supply chains. Collective bargaining is a process through which workers, represented by their trade unions, negotiate contracts with an employer, or groups of employers, for terms of employment above those provided for under the law with regard to compensation, hours of work, health and safety, and a range of benefits. The agreements that result from collective bargaining include grievance mechanisms that allow workers to address concerns as they emerge. Research has shown that the more coordinated or encompassing the bargaining process, the better the outcome for worker wellbeing (Hayter and Visser 2018). The most effective collective bargaining processes in global supply chains include active participation by workers, supplier factories, and global brands. The inclusion of global actors in this process is important because global brands and retailers set purchasing practices that impact employment practices at a factory and national level.

Honduras provides an ideal example for the study of the impact of collective bargaining on worker wellbeing because it has one of the most developed processes of collective bargaining in global export manufacturing, notably in the garment sector. These processes have occurred and provide benefits to workers at factories owned by apparel brands (such as Fruit of the Loom), foreign-owned supplier factories, and at supplier factories owned by Honduran nationals. Approximately 44% of garment workers in Honduras are employed at a facility where they are benefitting from the terms of a CBA, which allows for a systematic and robust comparison between working conditions in factories where

there is no CBA and working conditions in factories with CBA coverage. The focus of this report is on the apparel industry. In the case of Honduras, it also covers textile mills and wire harnesses (auto parts). This is because garments, textiles, and wire harnesses form part of the ‘maquila’ export processing zone regime in Honduras, and through the worker-driven research process<sup>1</sup> used for this report, workers identified auto parts as a sector they wanted to include.

This report is organized as follows. Part I explores the context in which the manufacturing export sector in Honduras (primarily garments) developed. This is based on an analysis of trade and financial data and an exploration of secondary sources. It examines the growth of the apparel sector, the status of labor law and workers’ rights, the structure of global supply chains, and the evolution of bargaining in the sector. Part I concludes by analyzing the path-breaking agreement between Honduran unionists and the multinational corporation Fruit of the Loom, known by the parties as the ‘Washington Agreement.’

Part II examines the twelve years of collective bargaining that followed the signing of the Washington Agreement. It does so through field research and an original survey of 387 workers in Honduras, which was done through a model of ‘worker-driven’ research. Part II documents the positive impact of CBAs on wages, benefits, the reduction of gender-based violence and harassment in the world of work, pandemic relief, and a range of other benefits for workers. It is one of first extensive and systematic examinations of collective bargaining agreements in Honduras since the 2009 signing of the Washington Agreement.

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<sup>1</sup> Worker-driven research is a methodology we are developing in which current and former workers participate in establishing research questions and conducting the survey of workers.

# Part I

## Honduran Maquila Sector: Examining the Context

### The Boom in Export Processing Zones

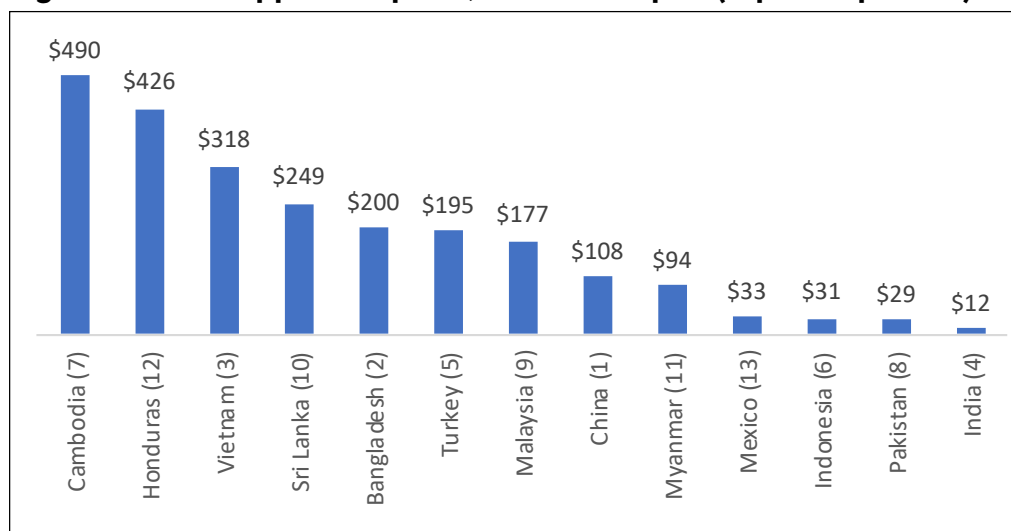
Honduras is a case in which the dramatic expansion of garment production has been accompanied by strong union organizing and collective bargaining. The first garment export processing zones (EPZs) began operations in Honduras in 1976 along the Atlantic coast region of Puerto Cortés. By the late 1990s, the value of EPZ-sector exports surpassed the combined value of coffee and banana exports, Honduras' most exported products for overseas markets since the early twentieth century (Anner 2011). Production expanded so dramatically that EPZ zones could not be built fast enough to accommodate all investors, and the government provided special authorization to allow factories located outside the zones to receive the same benefits as those located inside the zones. Today, benefits for manufacturing investors include:

1. 100% exemption on income taxes, net assets, COVID 'solidarity contributions',<sup>2</sup> and sales tax.
2. Exemption from taxes, duties, and other charges on imports and exports.

3. 100% exemption of municipal taxes.
4. Exemption from taxes on petroleum-based fuels that are used for production.
5. Permanent employment subsidy program (government subsidy of 50% of the minimum wage for each worker hired permanently during the first three months of the worker's employment).<sup>3</sup>

As a result of these incentives, as well as those provided under the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), in 2019, Honduras exported USD 4.5 billion through its maquila system. Apparel exports accounted for USD 3.8 billion (84%) of these maquila exports. Currently, Honduras is the 12th largest exporter of garments in the world, which is a remarkable accomplishment for a country with only 10 million inhabitants. In fact, after Cambodia, Honduras has the second highest apparel exports per capita in the world (USD 426). [See Figure 1.]

**Figure 1: World Apparel Exports, USD Per Capita (top 13 exporters)**



Source: Author's calculations on WTO and World Bank data

<sup>2</sup>This 'solidarity contribution' was established under Decree 33-2020 to assist workers during periods in which their employers were forced to suspend their employment as a result of COVID lockdowns and pandemic order freezes.

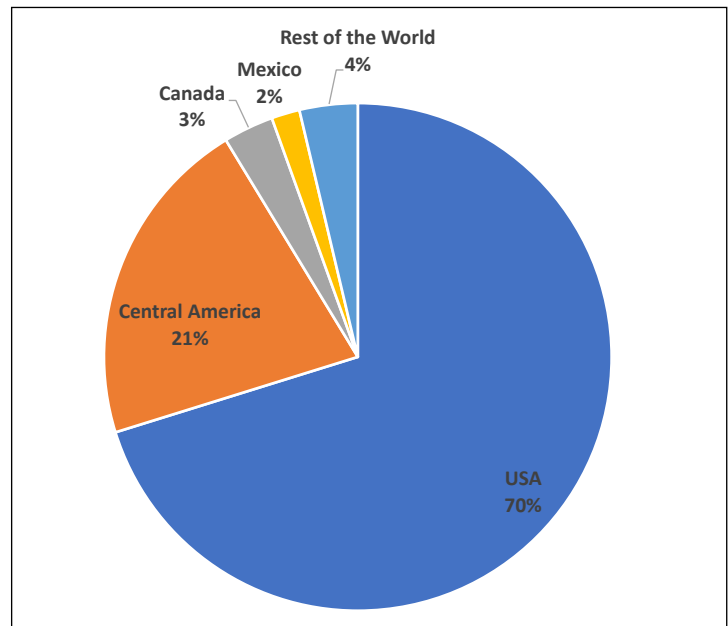
<sup>3</sup>Honduran Maquiladora Association (AMH). See: [http://www.ahm-honduras.com/?page\\_id=1331](http://www.ahm-honduras.com/?page_id=1331) (accessed December 11, 2021).



In terms of the export market for Honduran maquila products, the US is in first place, receiving 70% of the country's exports, followed by other Central American countries that receive 21% of exports. [See Figure 2.]

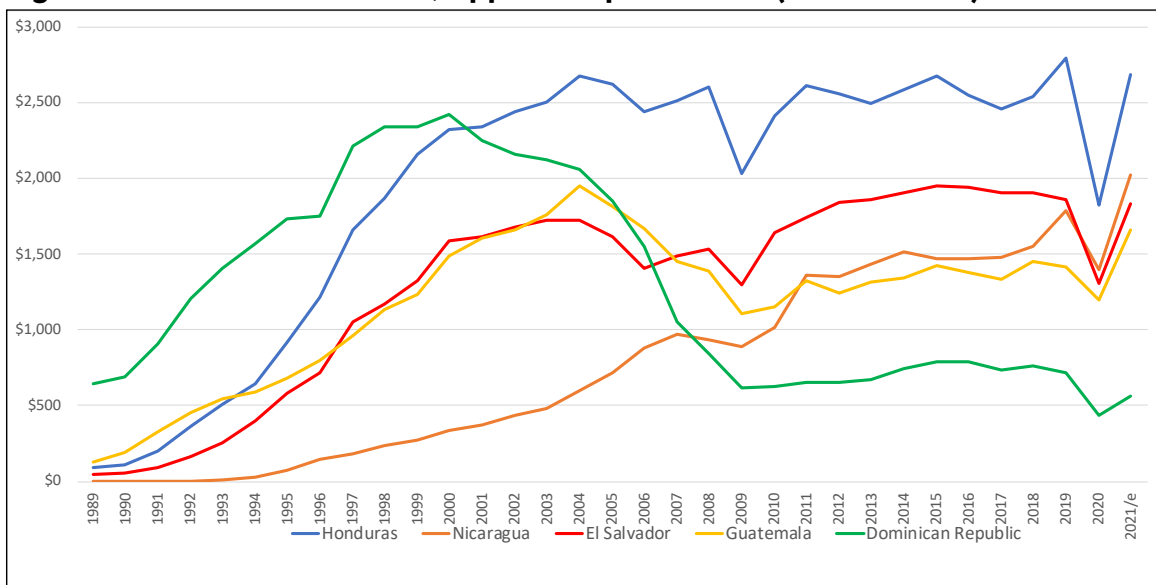
In the CAFTA-DR region, Honduras has been the number one exporter of apparel to the United States after it surpassed Guatemala in 1994 and the Dominican Republic in 2001. In Latin America, Honduras has been the number one exporter of apparel to the United States since 2007, when it surpassed Mexico. What is also notable is that, despite the CAFTA trade agreement (which went into effect on April 1, 2006), apparel exports from Honduras (and other CAFTA countries) did not grow substantially between 2006 and 2019. In 2020, apparel exports to the US dropped precipitously as brands cancelled orders in the midst of the COVID-19 pandemic. Data through October 2021 suggest a return to 2019 levels of exports, with Honduras remaining the number one Latin American exporter of apparel to the United States. [See Figure 3.]

**Figure 2: Honduran Maquila Exports to the World (2019); Total Value USD 4.5 billion [USD 3.8 billion garments]**



Source: Author based on data from the Central Bank of Honduras

**Figure 3: Central America-DR, Apparel Exports to US (USD Millions)**



Source: Author, based on OTEXA data

The expansion of Honduran maquila production takes place in the context of a complex political and economic history. Honduras first inserted itself into the global economy by granting mining rights and land access to major US mining and banana corporations during periods of authoritarian rule in the late 1800s and early 1900s. During this period, a weak and fragmented state charged companies almost no taxes and allowed them to violate laws, including labor laws, with impunity (Bulmer-Thomas 1991). In 1928, Honduras became the world's leading exporter of bananas. Workers were denied the right to form trade unions and, by 1942, Honduras became the poorest country in Central America (Ibid.) Workers fought back, and the banana workers' strike of 1954 became a transformative moment in the country, resulting in the right to unionization, a set minimum wage, collective bargaining, and the 1957 Labor Code (Portillo Villeda 2021).

By the 1970s, under a period of military rule and economic reforms, the manufacturing sector grew. In 1976, the country established its first export processing zone. The long century of banana exports in northern Honduras left as its legacy the wide roads and deep-water port that gave Honduras a competitive advantage when it shifted to garment exports. Today, 80% of maquila factories are located in the northern region of the country, with easy access to international ports.

The 1980s was a period of transition to civilian rule. Labor rights abuses continued, but Honduras—unlike Nicaragua, Guatemala, and El Salvador—did not descend into a full-fledged civil war. This allowed employers to develop the apparel export sector during this period. In the 1990s and early 2000s, generous tax incentives, favorable terms of trade through the Caribbean Basin Initiative and the Multi-Fibre Arrangement (MFA), a large and young workforce, and good infrastructure combined to allow Honduras to outdo all its regional competitors and become the leading regional exporter of apparel to the United States.

## **Workers' Rights in Honduras**

As Honduran apparel exports grew in the 1990s and early 2000s, so did charges of worker rights violations. In its 2009 human rights report, the U.S. Department of State noted, "Workers trying to form unions in the export processing zones are sacked and blacklisted, as well as being intimidated, separated from their colleagues, mentally harassed and, in some instances, physically assaulted. Judicial processes are long and when the rulings do support the reinstatement of workers, they are generally ignored by companies without any adequate follow-up by the state" (U.S. Department of State 2009).

In 2020, the International Labour Organization's (ILO) Committee of Experts on the Application of Conventions and Recommendations (CEACR) also expressed its concerns, noting "the large number of reported cases of anti-union violence, in particular the murder of 14 members of the trade union movement, and [...] limited progress in the corresponding investigations" (CEACR 2020: 153). The Committee also expressed concern over the low wages of labor inspectors (USD 310/month), which are far lower than the salaries paid to other government employees, indicating that such low wages hindered "the impartiality and independence of labor inspectors from improper external influences" (CEACR 2020: 468).

While not in compliance with ILO standards, several elements of Honduran labor law have facilitated the consolidation of unions and expansion of collective bargaining relative to other Central American countries. For example, the law prohibits the formation of more than one trade union in a single enterprise (Article 472), which has reduced union fragmentation. However, the law requires a two-thirds majority decision of both union and non-union employees at an enterprise to approve a strike (Article 563). And the law imposes other restrictions that make legally recognized strikes very unlikely (U.S. Department of State 2020). Collec-

tive “pacts,” which are collective contracts with non-unionized workers, have been used by employers to prevent unionization and collective bargaining because only one collective contract can exist in each workplace (U.S. Department of State 2020). An enterprise union can be formed with 30 or more workers (Article 475). The Labor Code establishes that, once a union is formed, employers must negotiate a collective bargaining agreement with that union (Article 54).<sup>4</sup> Unlike other countries in the region (such as El Salvador), there is no requirement to reach a 50% + 1 affiliation mark at the workplace to force employers to bargain. This law has facilitated consolidation of unions and expansion of CBAs.

On March 26, 2012, the AFL-CIO and 26 Honduran labor unions and civil society organizations filed a submission under Chapter 16 provisions of CAFTA in which they documented a series of egregious worker rights violations, including many in the maquila sector. The submission also indicated that the Honduran government failed to investigate, sanction, and remediate violations. On February 27, 2015, the U.S. Office of Trade and Labor Affairs (OTLA) issued a public report indicating that it had investigated the allegations presented in the submission and that it had “serious concern regarding the protection and promotion of internationally recognized labor rights in Honduras, including concerns regarding the Government of Honduras’s enforcement of its labor laws.” This led to a joint government Monitoring and Action Plan (MAP), which was followed by enactment of the Honduran Comprehensive Labor Inspection Law in 2017, and an increase in the country’s total number of labor inspectors from 137 in 2014 to 169 in 2018.

In 2019, the Honduran Secretariat of Labor and Social Security (STSS) released implementing regulations to collect significant monetary penalties for freedom of

association violations. However, according to the US State Department, “[T]he failure of the government to collect those fines facilitated continued labor law violations. In all of 2019, the STSS levied fines of more than 38.1 million lempiras (\$1.58 million) but collected only 755,000 lempiras (\$31,300). [...] While there were cases where a worker was reinstated [...] the reinstatement process in the courts was unduly long, lasting from six months to more than five years.” (U.S. Department of State 2020: 25).

Olvin Villalobos Velásquez, Minister of Labor and Social Security (2020-2021), noted that, in the context of CAFTA negotiations and subsequent US support, Honduras was able to fund an additional 24 workplace inspectors. He added that Honduras now has 169 workplace inspectors, but it needs 600 to adequately protect workers.<sup>5</sup>

Labor rights and civil liberties in general have been in decline in Honduras since the June 2009 coup d’état that removed then President Manuel Zelaya from the executive office. According to the Freedom House, there has been a decline in election integrity, freedom of expression, rule of law, and associational and organizational rights since 2009. [See Figure 4.] Research indicates that, as unionization rates decline, inequality in society increases (Anner 2022a).

What is notable, as we will see ahead, is that almost six months *after* the coup, trade unions and Fruit of the Loom reached an agreement that would unleash more than a decade of trade union organizing and collective bargaining expansion. Then, on November 28, 2021, Xiomara Castro of the progressive Libre Party was elected President of Honduras.<sup>6</sup> She took office on January 27, 2022, ending 12 years of post-coup, National Party rule, along with public expectations that respect for workers’ rights will improve under her administration.

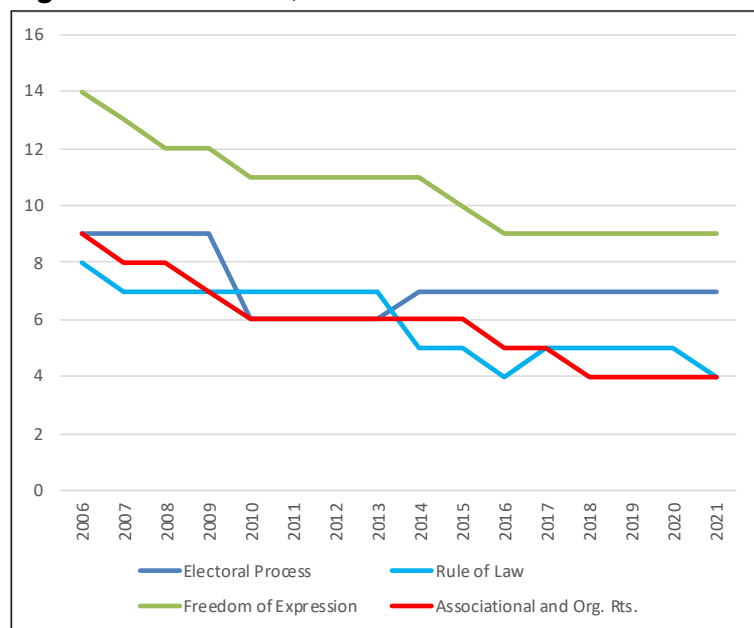
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<sup>4</sup> Article 54, “Any employer who employs workers belonging to a union, will have the obligation to enter into a collective agreement with the union, when requested.” See: [Honduran Labor Code](#). (Accessed Feb. 3, 2022.)

<sup>5</sup> Interview with author, Tegucigalpa, November 1, 2021.

<sup>6</sup> Xiomara Castro is also the wife of former Honduran President Manuel Zelaya, who was ousted in 2009 in a coup d’état.

**Figure 4: Honduras, Freedom House Scores**



## Employment and Gender in the Maquila Sector

In 2000, 106,530 workers were employed in 24 EPZs. In the years that followed, jobs largely stagnated despite the signing of CAFTA-DR. However, job composition began to change somewhat over time. While there were always some jobs outside the garment sector (such as in furniture assembly for exports), following the signing of CAFTA, jobs grew in textile mills. This was because major brands decided to use the yarn-forward provisions of CAFTA to set up textile mills that would provide fabric to their garment factories in the region.

Honduras also became the number one exporter in Central America for wire harnesses (a segment of auto parts global supply chains). However, garments continue to dominate the sector. In 2007, garment jobs represented 74.9% of all maquila jobs. Twelve years later in 2019, they represented 73.76% of jobs in export processing. During this same period, jobs in wire harnesses went from 10.2% to 11.8% of all jobs in the sector, and the total number of maquila jobs increased from 134,000 to 146,000, before declining to 136,000 in the context of the COVID-19 pandemic. [See Figure 5.] The global companies taking advantage of CAFTA provi-

sions were mostly headquartered in the US or Canada. In contrast, the Asian investors, who were dominant in the sector for decades, saw their share of factory ownership decline. For example, in 2004, 26.9% of maquila investment was from Asia. By 2016, this figure dropped to 7.2%.<sup>7</sup> Despite more favorable terms of trade under CAFTA, Honduras has not achieved a significant degree of product diversification within the garment sector. In 2019, it exported USD 722 million to the U.S. in men's and boy's cotton knit shirts, and USD 699 million in men's and boy's synthetic fabric knit shirts. Thus, one product (knit shirts) accounted for USD 1.4 billion, or 79%, of all exports. Honduras is the second largest exporter of men's and boy's cotton knit shirts to the U.S. after Vietnam.

Of note is the changing gender composition of the maquila sector. Globally (and in Honduras) the maquila (EPZ) sector has traditionally been characterized by a high percentage of female workers (Barrientos 2019; ILO 2016). However, today 55% of Honduran workers in the sector are male and 45% are women. This trend can be linked to the growth of employment in male-dominated sectors such as textile mills and the largely automated sock sector. However, even in garments, women now account for 52% of employment. [See Figure 6.] This represents a significant decrease to past gender distribution in the sector. For example, in 1993, women held 76% of maquila jobs.

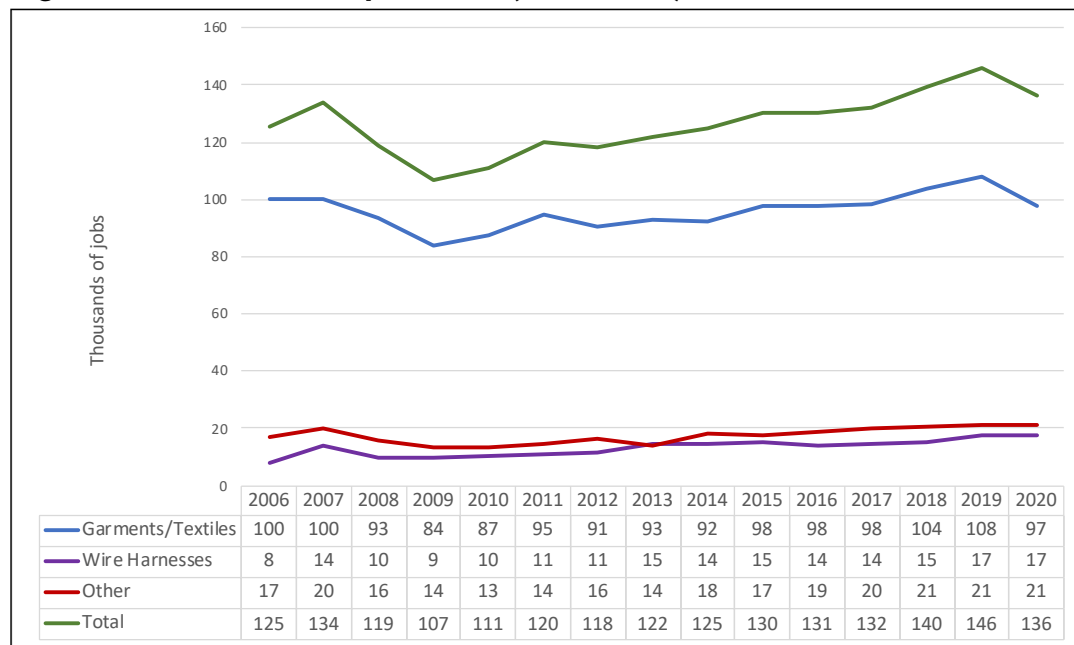
## Brands, Suppliers, and Workers: Who gets what?

One of the most important questions when exploring worker rights in apparel global supply chains is: Who gets what share of the sale price of a given garment? This is an important piece of information, which tells us a lot about equity and power relations in the global economy.

This report develops an innovation approach for calculating costs breakdown of who gets what for an item of apparel based on the sales price of the garment, the

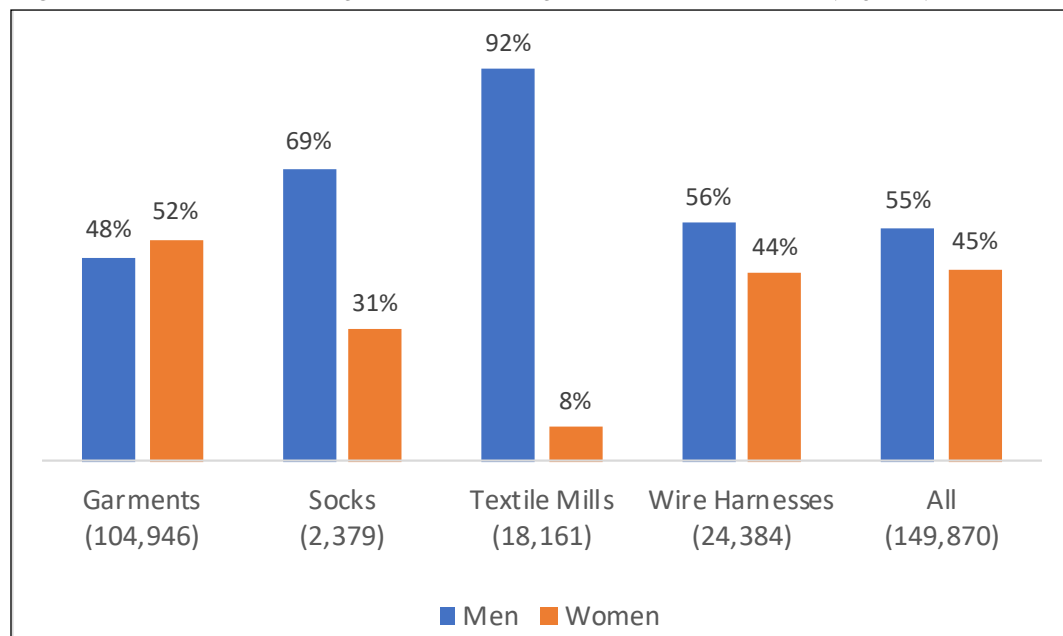
<sup>7</sup> Banco Central de Honduras (BCH), annual reports.

**Figure 5: Honduras, Maquila Jobs (thousands)**



Source: Author, based on Central Bank of Honduras (BCH) data

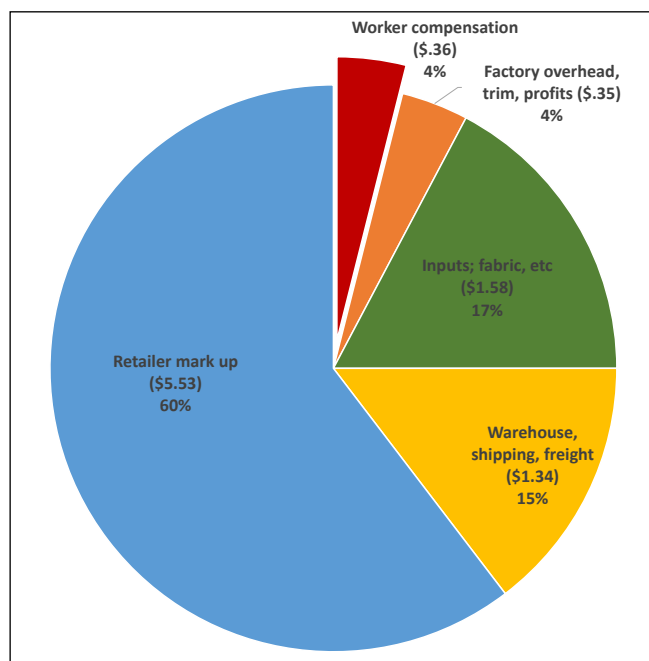
**Figure 6: Maquila Employment Share by Gender and Sector (# jobs)**



Source: Author, based on Honduran Maquiladora Association (AHM) data



**Figure 7: Who gets what from a USD 9.16 cotton knit t-shirt made in Honduras?**



Source: Author based on BCH and OTEXA data

production and shipping cost of the garment, the local value added of the garment (value generated in Honduras), and the labor share of the value added of the garment. For the details as to the calculation methodology, see Appendix 1. Using this method, for Honduras' most important garment export, men's and boy's cotton knit t-shirts, it was determined that for a garment with a sales price of USD 9.16, the total production cost is USD 2.29 (includes imported inputs), production costs (value added) in Honduras is USD 0.71, and workers receive USD 0.36 for their labor. [See Figure 7.]

### **Brands, Suppliers, and "Brand-Suppliers"**

As noted above, the implementation of the CAFTA trade agreement and its yarn-forward<sup>8</sup> provisions encouraged major foreign brands to set up textile mills in Honduras that provide fabric for their directly-owned factories. This suggests an important modification of the conceptualization of the garment sector as one based strictly on outsourcing through buyer-driven global

value chains (Gereffi 1994). Fruit of the Loom (FOTL), Gildan, Hanesbrands, and Delta Activewear are US, and Canadian multinationals that directly own garment finishing facilities in Honduras. Gildan and FOTL also have directly-owned textile mills in Honduras. Coats is a UK thread company with production in Honduras. As we will see, several of the most important CBAs in the sector are with facilities owned by these foreign-owned companies.

However, CBAs are not only with foreign-owned companies, but also with Honduran-owned companies. Indeed, 42.2% of maquila factories in the country are owned by Honduran companies versus 38.9% that are owned by U.S. companies. Some major U.S. brands source from large U.S. suppliers in Honduras. For example, Tegra LLC is a US company with large facilities in Honduras that supply to Nike and other major sportswear corporations. Some of these foreign-owned companies are not easily categorized as 'brands' or 'suppliers.' The Canadian apparel company, Gildan, produces its own brand apparel in Honduras and also produces under contracts for companies such as Walmart, making their George brand. Thus, Gildan is both a brand and a supplier. Likewise, 40% of FOTL apparel is sold through Walmart. Another share is sold through Target and Dollar General. A small, high-end line is sold through Zara. In fact, only a very small share of FOTL production is sold directly to consumers.

In sum, there are four models of maquila production in Honduras today. The first is the traditional model of apparel global supply chain outsourcing where global brands order the production of their goods through locally-owned garment factories. The Honduran-owned Elcatex company and its relationship with US brands and retailers such as SanMar, JCPenney, and Target reflect this model. The second model is similar to the first, with the difference being that a large US-owned company is the supplier and separate US-owned brands are the buyer. The Tegra-Nike relationship reflects this model. The third model is a hybrid model where a com-

<sup>8</sup> Yarn-forward Rule of Origin: The Parties to the CAFTA-DR agreed to a "yarn forward" rule, meaning that only apparel using yarn and fabric from the United States, Central America and the Dominican Republic qualifies for duty-free benefits. See: [https://ustr.gov/archive/assets/Trade\\_Agreements/Regional/CAFTA/Briefing\\_Book/asset\\_upload\\_file551\\_7185.pdf](https://ustr.gov/archive/assets/Trade_Agreements/Regional/CAFTA/Briefing_Book/asset_upload_file551_7185.pdf)

pany owns the factories and produces its own branded apparel, but also produces under contract for other brands. As noted, the Canadian company Gildan represents this model. The fourth is a model of vertical integration where the brand owns the textile factories and the garment factories. However, this is not complete vertical integration because these brands still must then engage with retail stores and ecommerce companies to sell their products. This is the case of Fruit of the Loom. [See Figure 8.]

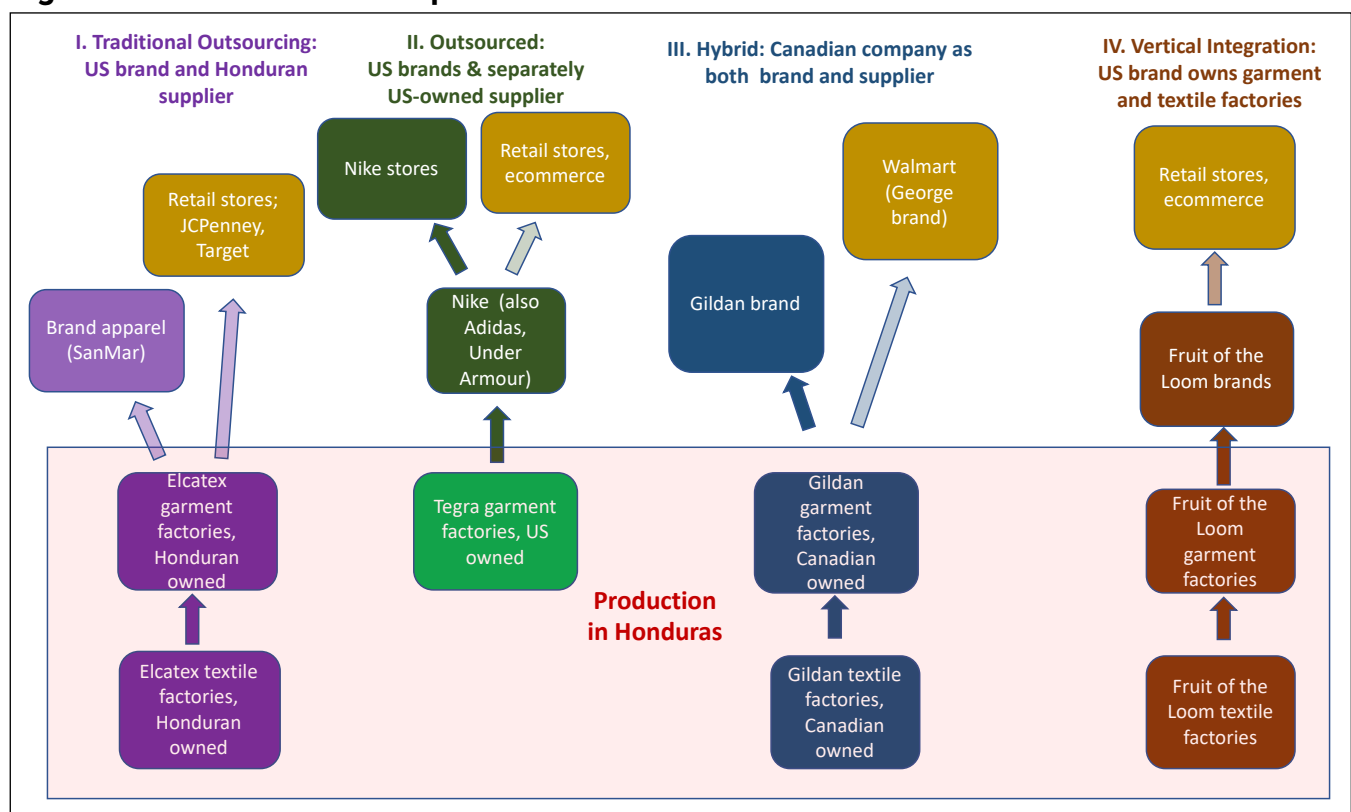
### Financial Status of Major Brands in Honduras

Reporting by publicly traded brands provides a picture of the financial status of global brands operating in Honduras before, during, and after the initial COVID-19 induced lockdown. Gildan, Delta Activewear, Hanes-

brands Inc., Coats Group, and Owens & Minor-Halyard are companies that are obligated to make this data available.<sup>9</sup> Many of these companies indicate that Honduras is their largest sourcing country. For example, one-third of Gildan Activewear's sewing facilities and two-thirds of its textile facilities are located in Honduras.<sup>10</sup> Thus, while these are financial data for the companies' global operations, they are strongly impacted by developments in Honduras.

What do the financials indicate? A pattern emerges of the crisis in early 2020 with the onset of the pandemic. All five companies experienced losses. These losses were not to the same degree or over the exact same period. Rather, they varied according to market segment. The sale of knit shirts (core products for Gildan and Delta) dropped most significantly in the second

**Figure 8: Four Models of Maquila Production in Honduras**



Source: Author

<sup>9</sup> Fruit of the Loom (FOTL) is owned by Berkshire Hathaway Inc. Berkshire Hathaway Inc. is a publicly-traded company, but it does not provide detailed financials on the operation of FOTL.

<sup>10</sup> See: <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001061894/ab9d2d63-1adf-4945-8986-6b005602e65c.pdf>, page 13. (Accessed December 27, 2021.)

quarter of 2020, whereas the sale of underwear (a core product for Hanesbrands) rose in the second quarter of 2020, but then dropped. Owens & Minor specializes in medical gowns, which experienced a growth of sales in late 2020 and early 2021. Most importantly, *all five companies returned to profitability* in the second half of 2021, if not sooner. Indeed, in the case of Delta Apparel, the company refers to ‘record profits’ in the third quarter of 2021. Delta, Gildan, and Owens & Minor all reported higher net income<sup>11</sup> in the third quarter of 2021 relative to the third quarter of 2019 (e.g., prior to the onset of the pandemic). [See Figure 9.]

### **Fruit of the Loom and the ‘Washington Agreement’**

Trade unions have been organizing in the garment sector in Honduras for decades. Indeed, trade unionism in Honduras has been the strongest in the Central American region with roots in the great banana worker strikes of 1954 (Portillo Villeda 2021). Yet, organizing in the garment export sector has always been difficult, with workers often facing violence or threats of violence when they tried to form a union (Anner 2022b). A major breakthrough came in 2009 when a Honduran union reached an agreement with Fruit of the Loom (FOTL). FOTL is a global family of brands that is wholly-owned by the investment firm Berkshire Hathaway, which is controlled by billionaire investor Warren Buffett. In 2008, workers at the FOTL-owned factory called ‘Jerzees de Honduras’ formed a union to represent the factory’s 1,800 workers. Three months later, the union and management entered into a collective bargaining process, as required by law. During that time, workers indicated that they were subjected to harassment and threats of plant closure by factory management (WRC 2008).

By October 2008, bargaining had reached an impasse, and FOTL announced it would close the plant for ‘economic reasons.’ However, union leaders alleged that the real purpose of the closure was to eliminate the union, which, at that point, was the only FOTL factory in Honduras with union representation. The Worker Rights Consortium (WRC) conducted an investigation

and uncovered overwhelming evidence that the closing of Jerzees de Honduras was motivated by management’s desire to rid the company of the union (WRC 2008), and was therefore in violation of Honduran law and applicable labor standards. The WRC advised that the reopening of the factory and the rehiring of the workforce were essential remedies.

The WRC’s findings led student activists organized in United Students Against Sweatshops (USAS) to pursue a campaign to ensure the re-opening of the factory. Students were particularly interested in this campaign because FOTL (through its Russell brand) was one of the largest producers of American collegiate apparel and the WRC had concluded that the company’s actions were in violation of the labor rights obligations in the company’s licensing agreements with universities for the sale of collegiate goods. As part of the campaign, USAS organized three major speaking tours through which fired FOTL unionists visited US universities to demand they suspend licensing agreements for university-branded apparel with FOTL until such time that FOTL recognized the union and bargained in good faith.

In December 2008, the University of Miami became the first school to cut its contract with FOTL. Eventually, major American universities—including Columbia, Cornell, Harvard, Michigan, Penn State, Rutgers, Wisconsin, New York University, and the entire University of California system—terminated their licensing agreements with FOTL as a result of this company’s anti-union activities at its owned-facility in Honduras. The Canadian Federation of Students and the British student network People & Planet also participated in the campaign, resulting in two Canadian schools and approximately ten British schools terminating their contracts with FOTL. As a result of student activist pressure, approximately 110 universities cut or failed to renew their licensing agreements with FOTL because they were convinced workers’ rights to organize and bargain had been violated and that FOTL had failed to take proper steps to remedy the violations (Anner 2013).

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<sup>11</sup>Net income, also called ‘net earnings,’ is equal to gross profits minus interest, taxes, and other fees.

**Figure 9: Financial Status of Publicly-Traded Firms Before, During and after the Covid Lockdowns**



Source: Author's calculations based on companies financial filings



FOTL is a member of the Fair Labor Association (FLA), a multistakeholder corporate social responsibility (CSR) program, and the FLA conducted its own investigations of the violations that occurred at Jerzees de Honduras. The FLA concluded in 2009 that the fired workers did not provide evidence “to show beyond a shadow of a doubt” that there were worker rights violations at the Jerzees de Honduras factory (FLA 2009). Yet ILO experts argue that, once employees provide a reasonable indication of a violation, the burden of proof should shift to the employer (Hunter and Urminsky 2003). International labor activists and Honduran union representatives did not accept the FLA conclusion. Indeed, according to the FLA, it received ten procedural challenges from labor rights organizations and the CGT labor center in Honduras regarding the impartiality of its monitoring report (FLA 2009). This activist pressure led the FLA to contact an ILO consultant, Adrian Goldin, to examine the case.

Goldin not only verified violations of freedom of association but also harshly criticized the FLA’s approach, noting that many of the workers were interviewed inside the factory, and not in an independent location that would have allowed them to speak freely about violations that had occurred (Anner 2012). Furthermore, the initial FLA investigator interviewed workers in groups, which raised the fear that a pro-management coworker could report negative comments to management, and, for at least a period of time, a plant manager was present outside the door of the office where interviews were being conducted (Goldin 2009). As external pressure on the FLA increased, internally, FLA board member Lynda Yanz of the Maquila Solidarity Network, put considerable pressure on the association. The FLA ultimately found, following the Goldin report, that worker rights had been violated at Jerzees de Honduras, and it placed FOTL/Russell under review.



*Factory workers protesting the closure of the Jerzees de Honduras factory in 2009.*



Activist pressure continued, and some students went to FOTL headquarters in Kentucky and travelled to Warren Buffett's home to pressure the investor to resolve the dispute. The Solidarity Center provided support to the Honduran union and offered training activities. Long-time US union activist Jeff Hermanson was particularly instrumental in providing strategic advice and negotiating skills at crucial junctures. In Honduras, union leader Evangelina Argueta was crucial in representing workers in the negotiations process. The WRC, which had a special role to play as a designated monitor of working conditions for the production of university apparel, continued to insist that reopening the factory was the appropriate remedy. In contrast, the FLA, even after revising its findings and placing FOTL under review, never recommended the factory's reopening.

Following the pressure on FOTL, including significant loss of business income, the stage was set for an agreement between FOTL/Russell Brands, the Jerzees de Honduras workers' union (SITRAJERZEESH), and its parent organization, the General Confederation of Workers (CGT). These parties signed what became known as the 'Washington Agreement' in November 2009. The Agreement fits into a set of initiatives described as, "worker-driven," "multiparty bargaining," "co-governance," and "enforceable brand agreements" (Blasi and Bair 2019; Vanpeperstraete 2021). Such agreements are the result of a bargaining process between labor and brands and the administration of the agreements is done through labor-brand co-governance. According to the terms of the agreement, failure to comply with its core elements can result in legal consequences. Perhaps the best-known example of such a model is the Bangladesh Accord on Fire and Building Safety. The labor-FOTL 'Washington Agreement' is another example of this model. The agreement was negotiated between unions and a brand. It has a co-governance 'oversight committee,' whose members are composed of five representatives selected by the union and the brand. The agreement also establishes the position of an Ombudsperson to monitor day-to-day issues relating to the implementation of the agreement.

Much of the text of the agreement is concerned with the re-opening of the factory, re-hiring of the workers who lost their jobs when the factory closed, and the administration of a worker welfare fund to resolve 'outstanding economic issues.' The agreement calls for good faith collective bargaining at the re-opened factory, which was given the name Jerzees Nuevo Día (a "New Day at Jerzees"). And the agreement firmly commits to the respect for freedom of association rights at all FOTL-owned plants in Honduras, and it gives CGT union representatives access to all FOTL plants in Honduras to attend and participate in training sessions. Finally, the agreement ensures that disputes arising out of the agreement that are not resolved via the newly-established oversight committee can be submitted to a binding arbitration proceeding. To date, the arbitration provision has not been evoked. As Blasi and Bair explain, "The parties have been able to resolve their differences through dialogue mediated by a bilateral oversight committee" (Blasi and Bair 2019).

Parallel to the Washington Agreement, FOTL/Russell signed a Memorandum of Agreement with the WRC on November 14, 2009, which re-affirmed the terms of the Washington Agreement, included a commitment from FOTL to maintain neutrality relative to any union organizing efforts at its factories in Honduras, and affirmed the WRC's role as monitor of the Agreement's implementation. The WRC agreed to inform its affiliated universities and colleges on the progress achieved toward remediation of the earlier violations.<sup>12</sup> These negotiations, which included participation from labor, an NGO, and a multinational corporation, were conducted through 'network bargaining,' which has been shown to have a positive effect on working conditions in global supply chains (Anner, Fischer-Daly, and Maffie 2021).

After signing the Washington Agreement, 18 months passed before the union and management at Jerzees Nuevo Día negotiated and signed a CBA, and it took another year before the union achieved a second CBA at a FOTL plant, a former factory known as Jerzees Buena Vista.<sup>13</sup> According to Jeff Hermanson, these were hard

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<sup>12</sup> Memorandum of Agreement Between the Worker Rights Consortium and Fruit of the Loom/Russell Athletic, November 14, 2009.

<sup>13</sup> Author's phone interview with Jeff Hermanson, September 16, 2021.



*Representatives of the CGT union and Fruit of the Loom following the signing of the Washington Agreement.*

bargaining processes on the ground, but the Washington Agreement allowed him and US FOTL representatives into the factories, and this helped to advance the negotiations. Claude Fontheim was also instrumental in ensuring the parties focused on settling their disputes and moved the process forward. Jeff stated, “For the workers, this was about more than wages. It was about being treated with respect and dignity. [...] This was about changing a culture, a paternalistic culture. Management came to see workers with minds as well as bodies. The CEO [of FOTL] came to see workers as real agents.”<sup>14</sup> One important clause in the first CBA was a clause for investment in machinery. This ensured that the workers would work at a high-functioning factory with modern equipment. And it meant that FOTL would be making a long-term commitment to the process.

Claude Fontheim played an instrumental role in representing the company in the bargaining process and on the Oversight Committee. He notes, “The key lesson from all of this is that having a union doesn’t mean the death of a factory. You can survive and be very produc-

tive with a union.”<sup>15</sup> Claude Fontheim shared that Rick Medlin, the CEO of FOTL at the time of the agreement, “did not just want to solve this one issue; he wanted to provide an example to the world.”<sup>16</sup>

These sentiments are shared by trade union leaders. Daniel Durón, President of CGT, refers to the Washington Agreement as, “one of the best achievements in the last 30 years of organizing in Honduras and region.” For Evangelina Argueta, who leads the CGT’s maquila organizing project and was instrumental to the negotiation of the Washington Agreement, the Agreement provided unionists with an opportunity to expand collective bargaining in Honduras. She considers the initial years following the signing of the Agreement to have been very important for workers and organizing.<sup>17</sup>

Perhaps the greatest achieve of the Washington Agreement is that is has become less important over time. This is because the Washington Agreement, by guaranteeing freedom of association rights and good faith collective bargaining, empowered Hondurans

<sup>14</sup> Ibid.

<sup>15</sup> Author’s phone interview with Claude Fontheim, March 1, 2022.

<sup>16</sup> Ibid.

<sup>17</sup> In recent years, Argueta would like to see the Oversight Committee play a more active role in assisting unions resolve conflicts in Honduras at FOTL-owned facilities.

to represent the interests of workers in the country through sustainable solutions. Indeed, as Yadira Minero finds in her report, “it served to influence the government and the local employers to comply with labor legislation, especially the human right to freedom and collective bargaining in the country” (Minero 2021: 39).

As a result of the tenacious organizing efforts by unionists in Honduras, the steadfast engagement of the WRC and its monitoring of FOTL’s labor practices, pressure from international activists, and the space created by the Washington Agreement, unionization and collec-

tive bargaining have expanded throughout the FOTL supply chain in Honduras. In 2019, five FOTL factories were unionized and three had collective bargaining agreements (ILRF 2019). By 2021, five FOTL factories had CBAs, providing benefits to the entire workforce of each of these factories. Given that FOTL is one the largest private sector employers in the country, the significance of these bargaining agreements cannot be overstated.<sup>18</sup> Moreover, and as we will see in the next section, the success of the FOTL example provided the impetus for organizing and bargaining at other major brand-owned facilities in Honduras with substantial improvements for workers.



*Workers celebrate the 2010 inauguration of the Jerzees Nuevo Dia factory with the late Fruit of the Loom CEO, Rick Medlin.*

<sup>18</sup> By the author’s count, Gildan Activewear is the largest private sector employer with more than 13,000 employees. FOTL has approximately 8,000 employees.

## Part II

# Research Findings: Bargaining for Decent Work

### Research Methods

This project employs a mixed methods approach to examine the impact of collective bargaining agreements on working conditions in the Honduran ‘maquila’ sector, which includes assembly production of garments, textiles, and wire harnesses for automobiles. First, the project established the context by examining: 1) world, regional, and country trade data; 2) ILO and US State Department worker rights reports; 3) Freedom House<sup>19</sup> scores; 4) data from the Central Bank of Honduras on employment and value-added trends in the sector; 5) employer association data on trends by gender in the sector; and 6) company financial reporting on publicly-traded companies with a presence in Honduras. These findings were presented in the first part of this report.

The next step was to collect all the CBAs in the maquila sector in Honduras and then code and analyze the text of the agreements by clause. In the process, we compared the benefits established by the agreements to a baseline provided for by the Honduran Labor Code. Those findings are presented below.

The third step, the worker survey, is the cornerstone of this research project. For the survey, we implemented what we are calling “worker-driven research.” For this research, worker-advocates participate in the survey design, the survey implementation, and the survey result analysis. To set up the team, the primary investigator (Mark Anner) worked with the Solidarity Center and the two main Honduran labor organizations with a presence in the maquila sector, the General Workers Central (Central General de Trabajadores, CGT) and the Independent Workers’ Federation of Honduras (Federación Independiente de Trabajadores de Honduras, FITH).

The primary investigator and research team decided to focus on the northern Honduran provinces of Choloma, Villanueva, and San Pedro Sula where more than 80%

of the country’s maquila production is concentrated. The original plan was to have two teams of two worker surveyors each. However, for security reasons, it was decided that it was not ideal to have surveyors travelling from one part of the country to another. As a result, the research group set up separate survey teams for each province and for each labor organization.

The survey was designed and revised under the guidance of the primary investigator and with the active participation of the group through weekly Zoom meetings, many of which lasted for two hours. The team then conducted a pilot survey, which contributed to more discussions and further revisions of the survey. Finally, the team conducted the full survey between mid-September and early December 2021. While the survey was in progress, the primary investigator visited the country for two weeks in November 2021 to conduct interviews with workers, unionists, managers, the Minister of Labor, employer associations, researchers, and women’s rights organizations. During this time, he also visited several factories and met with the survey teams.

There are 146,000 maquila workers in Honduras, and 387 workers were surveyed. This indicates an ideal sample size at the 95% confidence level with a 5% margin of error. Of the survey respondents, 51% are women and 49% are men, which reflects the current composition of the workforce in the country. In the survey sample, 26.6% of the workers are 18 to 25; 52.2% are 26 to 39, and 24.3% are 40 or older, reflecting an appropriate distribution by age when compared to the ages of workers in the industry. In terms of sectors, 64.4% of those surveyed work in garments, 21.8% work at textile mills, and 8.2% work in the production of wire harnesses, which reflects the present distribution of employment across maquila sectors. In terms of factory location, 41.7% of those surveyed work in Choloma, 27.9% work in San Pedro Sula, and 30.3% work in Villanueva. This reflects an adequate

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<sup>19</sup> Freedom House is a non-profit, U.S. organization that conducts research and advocacy on democracy, political freedom, and human rights. See: <https://freedomhouse.org/>



**Table 1: Factories Covered by Collective Bargaining Agreements in Honduras (November 2021)**

	Name of Factory	Name of Parent Company	Nationality of Parent Company	Sub-contractor, supplier	Product category	Location	Labor Organization	Workers Covered by CBA
1	Coats Honduras	Coats	UK	no	thread	Choloma	CGT	450
2	Confecciones del Valle	Hanes Brands	USA	no	garment	Villanueva	FITH	3,000
3	Confecciones Dos Caminos	Fruit of the Loom	USA	no	garment	Villanueva	CGT	2,005
4	Delta Apparel Honduras	Delta Apparel	USA	no	garment	Villanueva	FITH	900
5	Delta Cortes	Delta Apparel	USA	no	garment	Villanueva	FITH	1,950
6	Elcatex	Elcatex	Honduras	yes	textile	Choloma	CGT	2,000
7	Francis Apparel	Elcatex	Honduras	yes	garment	Choloma	CGT	1,772
8	Genesis Apparel	Elcatex	Honduras	yes	garment	Choloma	CGT	2,200
9	Gildan Activewear San Antonio	Gildan Activewear	Canada	no	garment	SPS	CGT	3,600
10	Gildan Activewear San Miguel	Gildan Activewear	Canada	no	garment	Choloma	CGT	5,128
11	Gildan Activewear Villanueva	Gildan Activewear	Canada	no	garment	Villanueva	CGT	4,955
12	Jasper Honduras	HanesBrands	USA	no	garment	Choloma	CGT	2,240
13	Jerzees Nuevov Día	Fruit of the Loom	USA	no	garment	Choloma	CGT	1,088
14	Manufacturas Villanueva	Fruit of the Loom	USA	no	garment	Villanueva	CGT	2,220
15	Owens & Minor-Halyard (former Avent Honduras)	Owens & Minor-Halyard	USA	no	garment	Villanueva	FITH	3,600
16	Pinehurst MFG - GMBH	Pinehurst	USA	yes	garment	SPS	CGT	1,339
17	RLA Manufacturing	Fruit of the Loom	USA	no	textile	Choloma	CGT	1,694
18	Servicios Múltiples de Sula	Servicios Mult. de Sula	Honduras	no	security, maquila	SPS	FITH	180
19	Southern Apparel Contractors	Tegra	USA	yes	garment	SPS	FITH	9,740
20	Stretchline Central America	Stretchline	UK, Sri Lanka, US, Honduras	yes	textile	Choloma	CGT	414
21	VFI de Honduras	Fruit of the Loom	USA	no	distribution	Choloma	CGT	150
22	New Holland Apparel	Tegra	USA	yes	garment	SPS	FITH	----- <sup>20</sup>
<b>TOTAL</b>								<b>50,625</b>

<sup>20</sup> This contract covered 4,000 workers. However, these workers are now covered by the Southern Apparel Contractors and thus are not listed so as not to double count them.



distribution across regions. Finally, 51.6% of workers in the survey sample were covered by CBAs whereas 48.4% were not. In sum, the survey sample adequately reflects the distribution in the maquila sector by gender, age, economic sub-sector, geographic location, and collective bargaining coverage. This gives us a high degree of confidence in the survey findings.

## Findings

Our research documented 22 CBAs in the maquila sector covering 50,625 workers. These CBAs are present in all four models of maquila production outlined in a previous section of this report, from Honduran suppliers exporting to US brands to vertically integrated US brands. Of the 50,625 workers covered by CBAs in the Honduran maquila sector, 45,737 are in the garment sector. Therefore, 43.56% of the 105,000 garment workers in Honduras work at a factory where there are benefits established by a CBA. This is most likely the highest collective bargaining coverage achieved by independent unions in any major apparel exporting country in the world today. These CBAs were negotiated by the CGT and the FITH labor centers. [See Table 1.]

## Content Analysis of CBAs<sup>21</sup>

To better understand the content of 20 of the 22 CBAs listed above,<sup>22</sup> we established a database of all the agreements and coded them, clause by clause. One initial observation is that many clauses repeat what is already established in the law. These clauses might thus be considered ‘neutral’ clauses in that they do not improve the conditions of labor above and beyond what is already established by law. However, unions often negotiate agreements that include such clauses because an employer has had a history of not complying with certain areas of the law. For example, as we will see ahead, when the research teams asked workers if they received their legally-mandated vacation pay, one fifth of workers (20.1%) not covered by CBAs replied that they did not, whereas only 6.5% of workers with CBAs indicated not receiving the full vacation pay.

Many clauses provided working conditions that go above and beyond what is established by law. For example:

- 16 of the 20 CBAs provide an annual education fund for workers or/and their children. In nine of these CBAs, the union manages the fund. The funds range in amount from HNL 12,000 (USD 500) to HNL 200,000 (USD 8,333) per year, and there is no maximum or minimum amount per worker.<sup>23</sup>
- 11 CBAs provide paid vacation days beyond the number vacation days established by law. Of these, 6 CBAs provide up to 3 additional days (beyond the required 20 days for workers who have been at the company four or more years). They include Jerzees Nuevo Dia, VFI Honduras, Manufacturas Villanueva, RLA Manufacturing, Jasper Honduras, and Confec-ciones Dos Caminos.
- As part of the childcare benefits, seven CBAs establish paid leave for workers to provide them with the time they need to take their children to the doctor, 18 CBAs provide school supplies for elementary school students, and 16 CBAs provide supplies for high school students who are children of workers.
- Seven CBAs provide loan programs for workers (to be used in the case of accidents, emergencies, or natural disasters).
- All 22 CBAs provide workers with transportation and uniforms. 12 of the CBAs provide work shoes and 18 provide lunch subsidies.
- All 22 CBAs provide union leaders with additional months of protection from dismissal (beyond those required by law) after completing their term as a union leader; seven CBAs provide an additional six months protection beyond that which is established by law.
- 20 of the 22 CBAs specifically stipulate monthly meetings between plant management and union representatives. In these cases, factory management and workers discuss topics related to production targets,<sup>24</sup> working conditions, and labor relations.
- At Jerzees Nuevo Día, the CBA establishes an “Open Door Policy” as a direct result of the Washington

<sup>21</sup> Content analysis of CBAs was completed by the meticulous work and insightful analysis of the project’s research assistant, Luis Mendoza. It includes the development of a database on the clauses of the 20 maquila CBAs listed above. The author is extremely appreciative of his outstanding effort.

<sup>22</sup> Not included in our sample is the CBA of the maquila security workers in the company, Servicios Multiples de Sula. This CBA covers 180 workers.

<sup>23</sup> Throughout this report, for an exchange rate of Honduran Lempiras (HNL) to US dollars (USD), we used an approximate average for 2021 of 24 Lempira:1 US dollar.

Agreement. As a result of the Agreement, FOTL established this policy at all of its factories in Honduras.

- Most of the CBAs analyzed provide occupational safety and health provisions that are superior to those established by national law. 19 CBAs offer free health fairs for workers and their families, 14 provide wheelchair donations, and 16 stipulate special equipment, such as ergonomics programs.
- All 20 CBAs have benefits related to workplace productivity, such as balancing the work in units (17 CBAs), productivity bonus (6 CBAs), attendance bonus (5 CBAs), and training in case of transfer to another unit of the company (3 CBAs).<sup>25</sup>
- Based on the tripartite agreement ratified in 2019 by the Government to promote decent work and affordable housing, the contract signed by New Holland Apparel established a bipartite committee to address and establish collaboration on the part of the company in favor of workers interested in acquiring social housing.
- One of the most notable components of the CBAs is the additional protections they provide to women before and after the birth of a child. These include a reduced working day and quick access to the cafeteria (no lines) for pregnant workers. Some of the CBAs ensure rest and recovery after childbirth including additional days of unpaid maternity leave beyond those required by law (14 CBAs), additional paid post-natal leave when the newborn requires special care

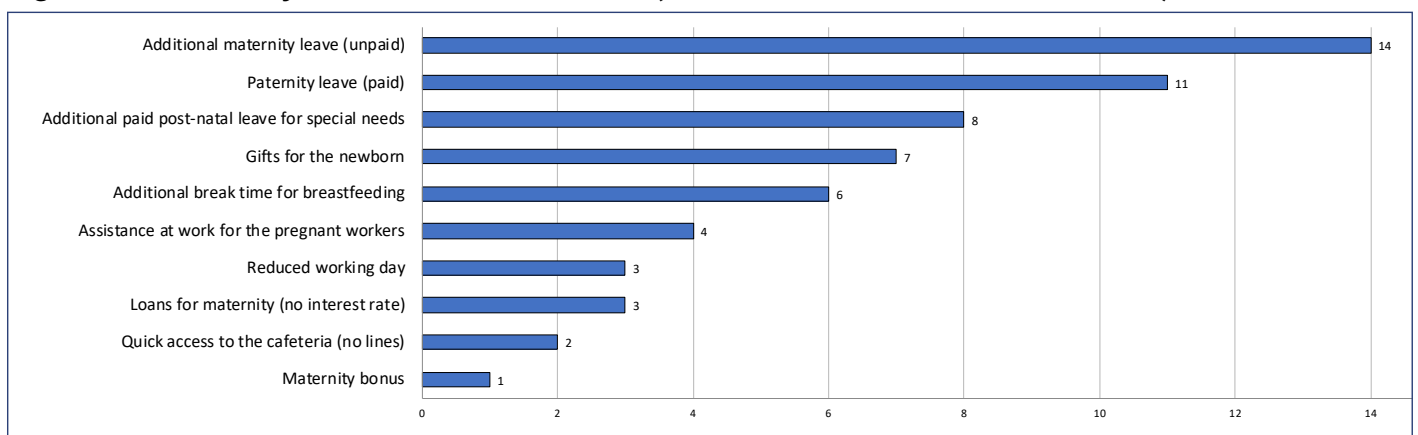
(eight CBAs), breastfeeding breaks, paternity leave (11 CBAs), and no-interest loans for those on maternity leave (8 CBAs). The contract signed by New Holland Apparel and its union establishes an extra paid week of rest and maternity bonus of HNL 1,700.00 (USD 71). The Coats Honduras CBA provides an additional 10 days of post-natal rest (above the 42 days stipulated by law). [See Figure 10.]

## Survey results

The coding of the CBAs provides an indication, through the text of the agreements, of how CBAs have positively impacted the lives of workers covered by CBAs in the Honduran maquila industry. The survey of 387 maquila workers in Honduras—of whom 202 are covered by CBAs and 185 are not covered by CBAs—allows us to document the actual impact of CBAs on the lives of workers.

In response to the question “Is your salary sufficient to cover the basic costs of your family?,” only 4.15% workers responded affirmatively, whereas 40.7% responded “sometimes,” and 55.2% indicated “never.” This indicates that wages in the maquila sector are not equivalent to a living wage. When then asked, “If your salary does not cover the basic expenses of your family, what do you do?” respondents could pick multiple options. Of those surveyed, 51.4% indicated that they buy less nutritious food for their family; 43.2% indicated that they

**Figure 10: Maternity Protection and Benefits (number of CBAs with such clauses)**



<sup>24</sup> This is very significant because, as outlined below, inhumane production targets are one of the biggest concerns reported by workers.

<sup>25</sup> As we will see ahead, these benefits are related to one of the survey findings that demonstrates that workers with a CBA are less likely to have significant production target increases relative to workers without a CBA.







do not make necessary medical expenses; 18.6% said they change living arrangements to reduce housing costs; and 41.6% said they borrow money.

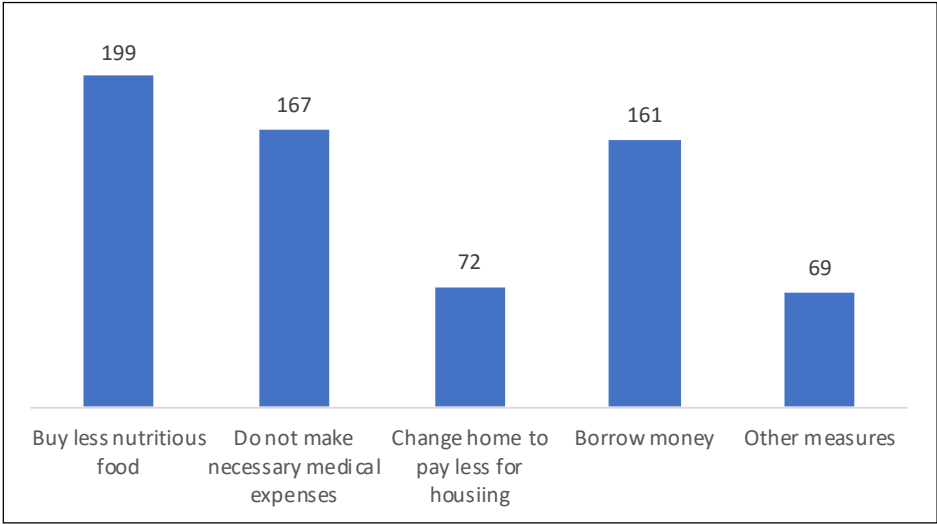
Many workers responded with “other” survival strategies. For example, several workers said they work a second job, such as washing clothing for neighbors, selling cosmetics, and cleaning homes. One worker said, “We only eat twice a day.” A young male garment worker said that, due to his low salary, he did sex work to make ends meet. [See Figure 11.]

The survey results indicate substantial differences across sectors when comparing workers who are covered by collective bargaining agreements with those who are

premium. [See Figure 12.] The average wage premium for workers covered by a CBA is 6.5%.

Looking exclusively at the garment sector, we find important variation in average monthly straight wages in terms of gender and collective bargaining coverage. Women garment workers without a CBA earn \$367 per month, whereas male garment workers without a CBA earn \$390 per month. In contrast, women garment workers with a CBA earn \$390 per month and male garment workers with a CBA earn \$397 per month. What this means is that not only do CBAs increase wages; they also reduce the gender wage gap. For workers without a CBA, the gender wage gap is 6%. In contrast, for workers with a CBA, the gender wage gap is 2%.<sup>26</sup> [See Figure 13.]

**Figure 11: Actions Taken When Salary Doesn't Cover Basic Needs (n=387)**



not. In the wire harnesses sector, where there are no collective bargaining agreements, the average monthly straight wage (without overtime) is \$383 per month. Garments workers without CBAs earn on average \$377 per month, whereas workers who have CBAs earn an average of \$392 per month. This amounts to a 4% wage premium for workers covered by a CBA. In the textile sector, workers without a CBA earn \$387 per month, whereas workers with a CBA earn \$422 per month, a 9% wage

It is important to emphasize when discussing wages in the maquila sector that unions not only bargain at the enterprise level. Unions also participate in national, tripartite (labor, employer, government) forums where they negotiate minimum wages for all maquila workers, with or without CBA coverage. Honduran unions have been successful in this regard. In 2018, they reached an agreement with employers and the government to raise wages each year for the next five years at a rate of 7.5% to 8% per year. For the first three

years of the agreement (2019-2021) the inflation rate has ranged between 3.5% and 4.5% per year, making the wage increase significantly above the inflation rate and thus resulting in real wage increases for workers. The amount of this cumulative, nominal wage increase over five years (ending in 2023) will be 45%. [See Figure 14.] Nonetheless, the minimum wage still does not amount to a living wage, and it is lower than the minimum wage in other sectors. For example, in 2021, workers in manufac-

<sup>26</sup> In the CBAs, there is no difference in wages in terms of straight wages. Men and women in the same job category earn the same wage [workshop with research team, May 3, 2022]. In 2021, 48% of garment workers in Honduras were men. Of these, 62.5% work as sewing machine operators and 37.5% work as cutters and machine mechanics among other positions (Minero 2021). These positions held by men are considered skilled labor and are paid at a higher rate relative to sewing machine operators, which helps to explain the continuation of a small gender wage gap.

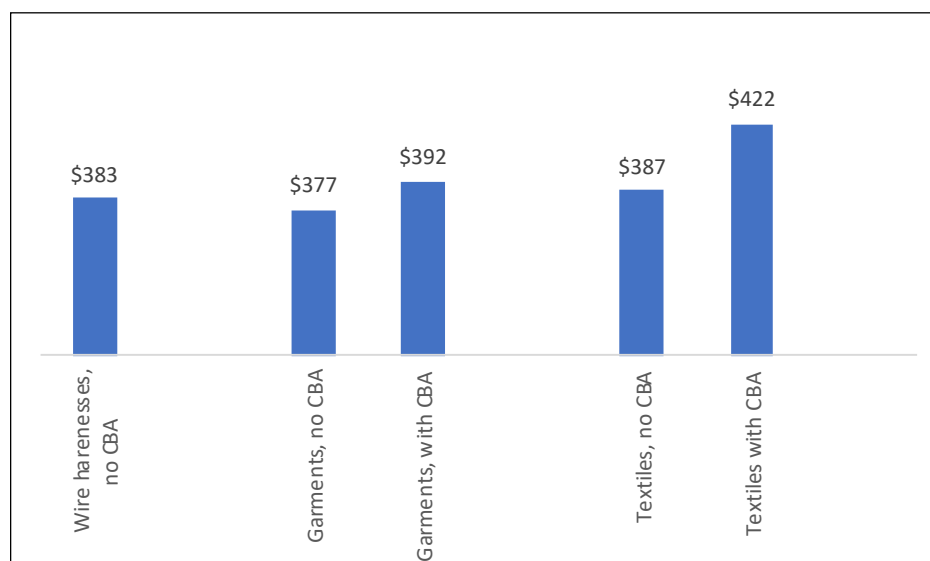
turing, construction, and commerce are entitled to minimum wage of USD 541 per month and workers in the finance industry had a minimum wage set at USD 556 per month.

In 2021, the cost of the basic food basket<sup>27</sup> was USD 394, an increase relative from USD 375 in 2020 and USD 365 in 2019. This indicates that relative to the amounts in Figures 13 and 14 that even workers with CBAs barely are able to cover basic food expenses for them and their families. When we include housing, clothing, health care, and services,<sup>28</sup> the cost is much greater. For 2019, studies indicated that the cost of basic family expenses in Honduras was USD 620, which is 42% above the cost of a basic food basket.<sup>29</sup>

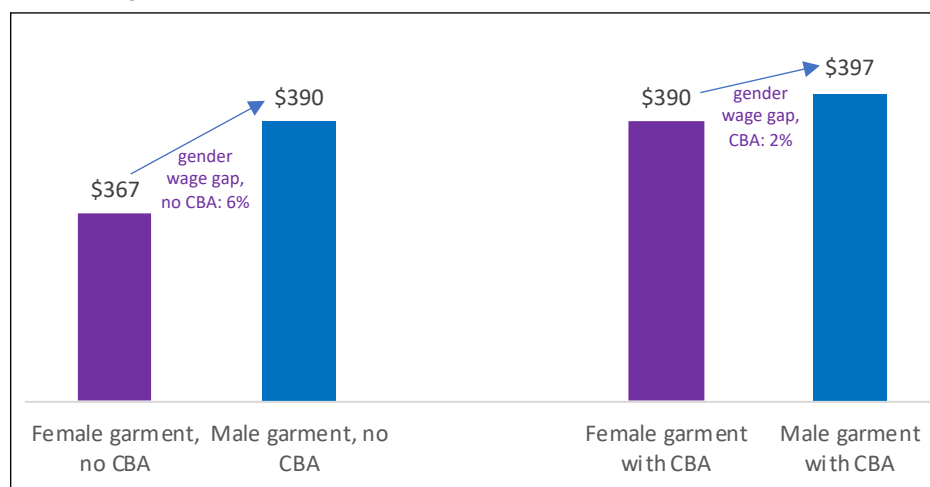
In 2021, bargaining resulted in two wage increases for workers with CBAs: 7.5% through national tripartite, sector-wide bargaining for all workers and an additional 6.5% for workers through enterprise collective bargaining. As a result, the total wage increase for garment workers with CBAs in 2021 was 14%.<sup>30</sup>

Straight wages do not tell the entire story. Workers without union representation and CBAs often suffer wage

**Figure 12: Monthly Straight Wages Across Sectors with and without CBAs**



**Figure 13: Monthly Straight Wages in the Garment Sector by Gender and with and without CBAs**



theft. In interviews, workers at the Francis factory said they were not paid for overtime before they organized the union. One worker told me, “They [the factory] didn’t pay anything. We are talking about 12 to 14 hours of

<sup>27</sup> The basic food basket is a value equivalent to the amount needed for an a family of five to cover its minimum nutritional requirements. The amount is established by the Nutritional Institute of Central America and Panama (INCAP) and serves as the reference for the Honduran Secretary of Labor and the Social Security.

<sup>28</sup> “Informe Anual de Mercado de Trabajo y Salario Mínimo 2021-2022”, Honduran Ministry of Labor and Social Security, p.21. <http://www.trabajo.gob.hn/wp-content/uploads/2022/04/Informe-Mercado-Trabajo-y-Salario-Minimo-2021-al-2022.pdf>.

<sup>29</sup> Equipo de Investigadores Laborales. “Los Salarios Mínimos de Maquila y las Canastas Básicas de Alimentos en cuatro países de Centroamérica 2019.” [https://www.maquilasolidarity.org/sites/default/files/attachment/Salarios\\_minimos\\_maquila\\_2019\\_0.pdf](https://www.maquilasolidarity.org/sites/default/files/attachment/Salarios_minimos_maquila_2019_0.pdf)

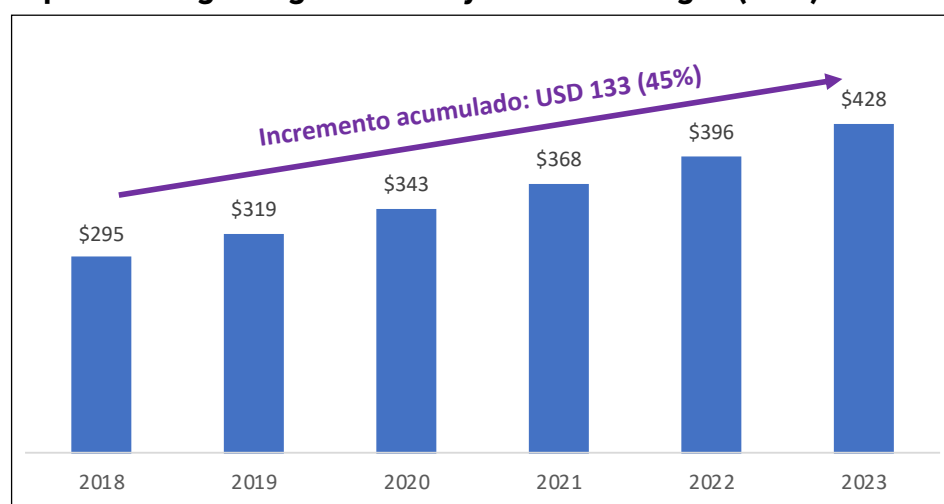
<sup>30</sup> When the national minimum wage increases, workers with CBAs sometimes expect that they will automatically receive an equivalent wage increase. However, some factory owners respond that, since the contractual wages are already above the increased minimum wage level, there is no obligation to increase wages further. (Workshop with Research Team, May 3, 2022.)



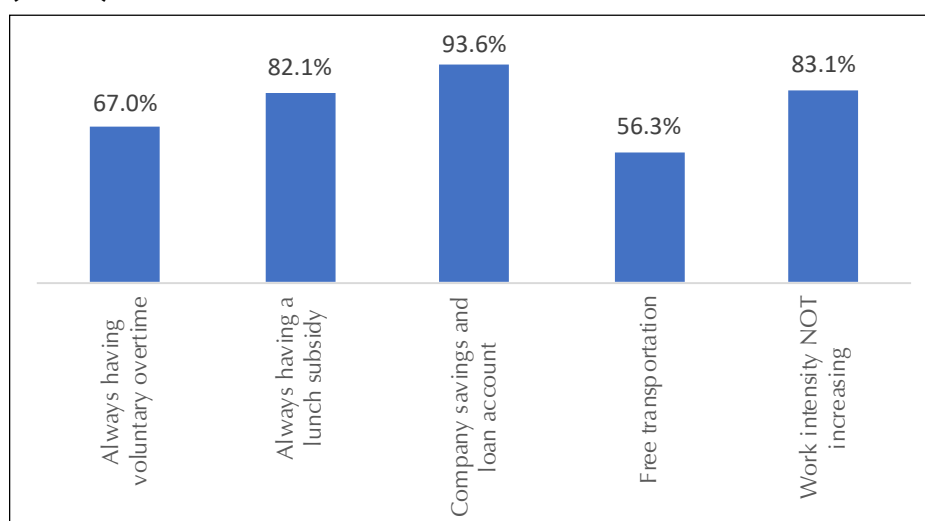
[overtime] work per week that never showed up in our paychecks.”<sup>31</sup> This was not a case of a factory’s failure to pay the proper overtime rate (125% of the minimum wage for daytime overtime work). Rather, it was the factory’s failure to pay anything at all for these hours worked. The workers reported that the non-payment of overtime hours led to a work stoppage in 2015, which then led to the formation of the union and the negotiation of the CBA.

The survey results also reveal many other important impacts of collective bargaining on the wellbeing of Honduran maquila workers. Relative to workers without CBAs, workers with CBAs are 67% more likely to always have voluntary overtime (not obligatory), 82.1% more likely to always have a lunch subsidy, 93.6% more likely to have access to a company savings and loan program, 56.3% more likely to have free transportation to and from work,<sup>32</sup> and 83.1% more likely to find work intensity

**Figure 14: Impact of maquila union sector-wide, tripartite bargaining on monthly minimum wages (USD)**



**Figure 15: Survey Results, The Collective Bargaining Difference (n=387), relative to workers with no CBA, likelihood of...**



<sup>31</sup>Interview with author, Choloma, October 28, 2021.

<sup>32</sup>Honduran labor law stipulates that it is the obligation of employer to cover the cost of transportation to and from work when workers live two or more kilometers from the workplace (Honduran Labor Code, Article 42). However, absent a CBA, this article is often not respected by employers, who argue they only must provide transport if the company moves away from its original location. (WhatsApp correspondence with Joselyn Smith, January 10, 2022.)

does not increase over time (e.g., no significant changes in production targets over the past year). [See Figure 15.]

**CBA’s and the Desire to Migrate**

One of the most pressing questions explored through the survey was the impact of CBAs on the desire of workers to quit their jobs and attempt to migrate. What we found was that workers covered by CBAs are 25.3% less likely to want to migrate to another country relative to workers who are not covered by CBAs. When interviewed about the reasons workers would wish to migrate, not surprisingly the greatest concerns were economic (low salaries). Notably, the second most significant reason workers expressed the desire to migrate was the high production targets at their factory of employment (work intensity), followed by debt, long work shifts, abusive treatment in the workplace, and violence or threat of violence in Honduras (notably when traveling to and from work). [See Figure 16.]

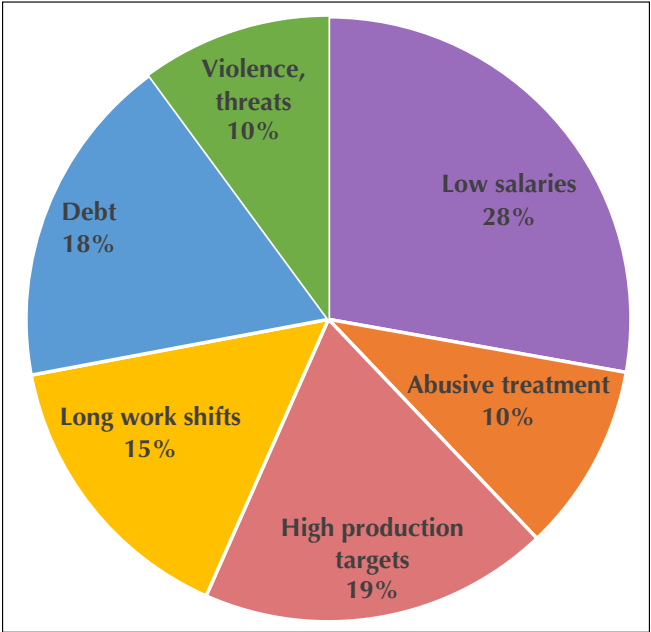
**Gender-Based Violence and Harassment (GBVH) in the World of Work and Occupational Health & Safety**

Treatment at work with regard to gender-based violence and harassment in the world of work and occupational health and safety is noticeably different for workers who are not covered by a CBA relative to workers covered by CBAs. Workers not covered by a CBA were 20.3% more likely to face verbal abuse when compared to workers who are covered by a CBA. Female workers who were not covered by a CBA were 10.7% more likely to have been sexually harassed on the job.

Relative to female workers without a CBA, female workers covered by CBAs were 119.8% more likely to report that they had a valid mechanism at work for addressing sexual harassment on the job (e.g., the ability to report the harassment to a union representative, who could then address the issue with management). Ada Lizeth Martinez Martinez and Gladys Leticia Cruz Meza of the Sitragenesis union explain that before they achieved their first CBA, signed in 2015, their rights were not respected. Martinez stated, “There was sexual harassment, especially of the young, women workers.”<sup>33</sup> To date, one union has a



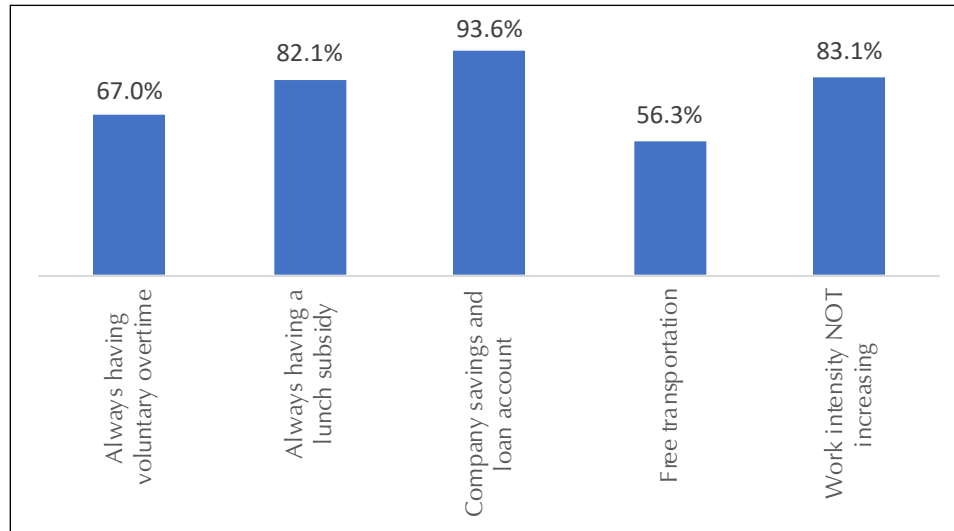
**Figure 16: Work-Related Reasons for Wanting to Migrate**



clause in its CBA that provides GBVH protections for workers. Unions in Honduras have developed a ‘model clause’ that they would like to negotiate in CBAs going forward. One finding at first appeared curious to us. When workers were asked if they had an ‘occupational illness,’ only 23.12% responded affirmatively. This seemed like a low rate, given that many workers (if not most) stated during interviews with the primary investigator that they suffered from extreme and chronic body pain due to their work.

<sup>33</sup> Interview with author, Choloma, October 28, 2021.

**Figure 17: Survey Results, The Collective Bargaining Difference (n=387), relative to workers with no CBA, likelihood of...**



What was even more curious was that unionized workers with CBAs were slightly more likely to indicate that they had an ‘occupational illness’ relative to workers who were not covered by CBAs (24% versus 22.1%). Through follow up discussions with the Honduran research team, it was quickly revealed that ‘occupational illness’ is a term used only for cases in which the Honduran Social Security Institute, through its technical commission for occupational illness, declares a worker to have an occupational illness. The process for obtaining such a determination from the Institute is long and cumbersome and, therefore, many workers do not take the steps necessary to complete the process. However, unions often assist workers with occupational injuries or illnesses to achieve this recognition, which would explain the slightly higher confirmed ‘occupational illness’ for workers with CBAs when compared with workers who do not have CBAs.

Given this finding, we decided to add an additional question to the survey, even though the survey process was 70% completed. In this question, which was presented to 108 workers, we asked if the workers felt chronic pain in specific body parts due to their work. When asked in this

way, 63.0% reported significant bodily pain (at least one part of their body hurt). And 52.8% said they experienced pain in two or more parts of their body. [See Figure 18 for breakdown.] Differentiating this finding by workers with and without a CBA, we find a small (4.2%) increased likelihood of bodily pain experienced by workers without a CBA. This suggests some positive impact of CBAs, but certainly there is room to improve the workplace health and safety context for all workers.

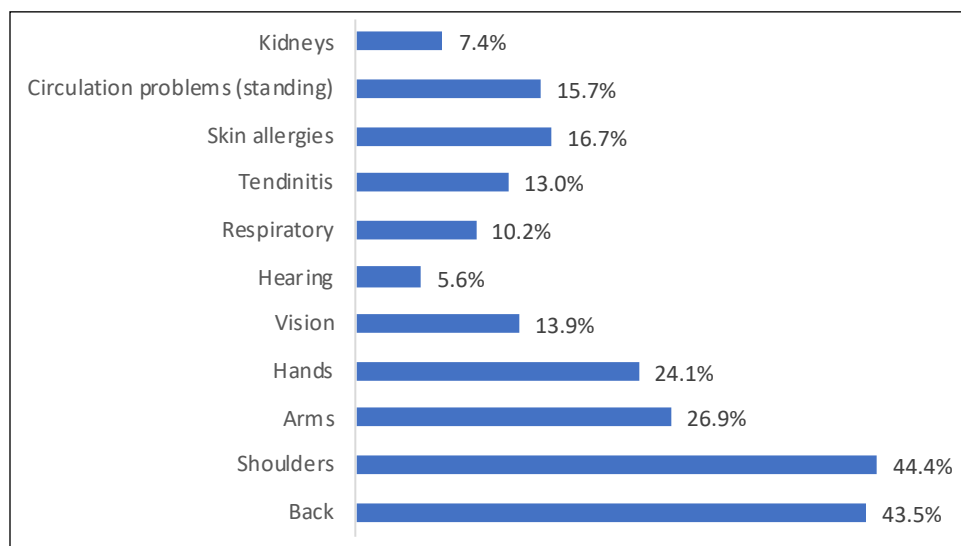
The issue of health and safety at work was highlighted by workers during interviews. One garment worker stated, “The production targets have gone up a lot since COVID. Now there is pent up demand. So, they make us work faster. They are not adding more hours. But we do have to work faster.”<sup>34</sup> Another worker shared, “One way to increase work intensity is to remove two members of a team of 27 and then keep the same production target for the entire group.”<sup>35</sup> Under this scheme, workers are required to produce the same volume with fewer team members than they had before. As production targets go up, factories turn increasingly to younger workers who are believed to have better endurance. A unionist noted,

<sup>34</sup> Ibid

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

**Figure 18: Share of workers with health concerns by issue (n=108)**



“Over the past year, they are only hiring young workers, workers between the ages of 18 and 21 years old. Once we reach 30, the factory doesn’t want us anymore.”<sup>36</sup> Even young workers struggle with the grueling pace of production in the Honduran maquila. One worker told me, “Young workers, workers in their 20s, are broken. We have bad backs, bad shoulders. Everything hurts.”<sup>37</sup> A young male worker reflected, “All the pressure in the world is on us. It is not just physical pressure. We have psychological pressure.”<sup>38</sup> Some workers apply for disability payments through social security. But these payments can take years to get, and might only amount to USD 180 per month, which is less than half the minimum wage and not enough for the workers and their families to live on. 13 CBAs<sup>39</sup> stipulate that any worker that must discontinue employment due to an occupational illness verified by the Honduran Social Security Institute will receive 100% of his or her social benefits, the duly-acquired severance, and an additional payment of two or three months’ salary. In these cases, the employer continues to provide medical attention via the Honduran

Social Security Institute to these workers for a period of four to six months in addition to that established by the Labor Code. This means that workers with a CBA are insured for a period of six to eight months after resigning as the result of an occupational illness. “Before, if you quit, you got nothing,” a worker told me.<sup>40</sup>

### **Work shifts, bonuses, and work intensity**

The survey revealed that the standard work week in Honduras, which consists of eight-hours per day, Monday through Friday, and half days on Saturday (plus overtime) is no longer the most common work arrangement in the country’s maquila sector. According to the survey results, 32% of those interviewed work this traditional schedule, whereas 56% of workers are employed under either a 4x4 work schedule (four days on and four days off) or a 4x3 work schedule (four days on and three days off). Under such a schedule, workers labor 11 to 12 hours per days. During the days they are not working, another shift of workers enters the factory. This allows the factory owners to keep the factories running 24 hours per day

<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> The CBAs that provide these benefits are at the factories Jerzees Nuevo Día, VFI de Honduras, Manufacturas Villanueva, Gildan Activewear Villanueva, Gildan Activewear San Miguel, Gildan Activewear San Antonio, Jasper Honduras, Francis Apparel, Coats Honduras, Génesis Apparel, Stretchline Central, Confecciones dos Caminos, and RLA Manufacturing.

<sup>40</sup> Interview with author, Choloma, October 28, 2021.

<sup>41</sup> Labor rights experts note that Honduras is perhaps the only country in the world using 4 x 4 work shift in the garment export sector. There have been attempts to implement a 4 x 4 work shift in the sector in El Salvador, but unions successfully opposed this schedule, which has been criticized because of its health impact on workers due to the long shifts.

without having to pay overtime. Many workers state that they like the 4x3 shift, because it allows them to take on other jobs to pay their bills.<sup>41</sup>

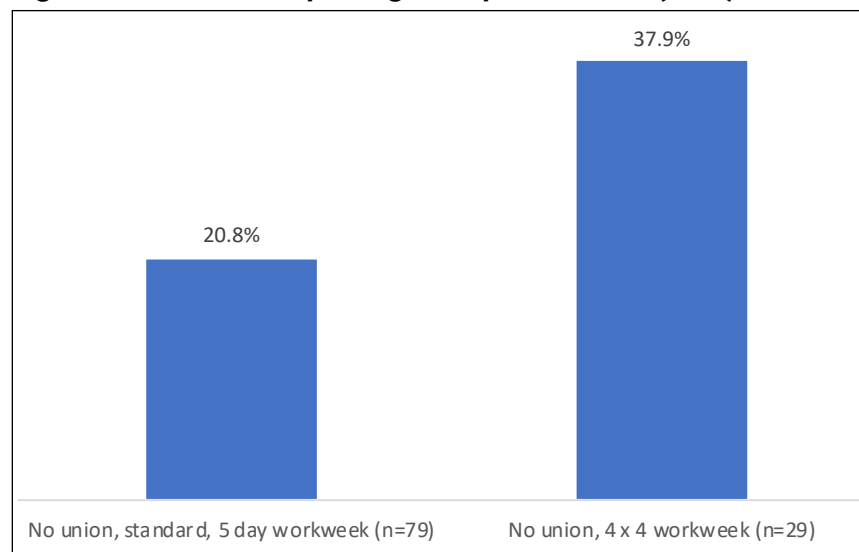
Workers are more critical of the 4x4 shift because, due to the schedule and the long shifts, they are not able to study at night, and they often do not have Sundays off to spend time with their families. This finding is consistent with prior research on the topic carried out by the Maquila Solidarity Network (MSN 2003). The 4x4 shifts also mean that workers do not always receive wages that are consistent with the monthly minimum wage. This is because workers earn a week's salary in four days, but they do not work 52 weeks in a year and, therefore, they do not earn the minimum wage over the course of a year. Depending on how the shifts fall over the course of each month, they may earn the monthly wage some months and not others. On average, workers employed on a 4x4 work schedule earn only 42 to 46 weeks' pay per year.<sup>42</sup> Critics of the 4x4 shift state that it is more detrimental to workers' health than the standard, eight-hour shift worked five and a half days per week. They report that conducting the physically demanding tasks of a maquila job for a period of 11 to 12 hours per day can increase the likelihood that workers will suffer from repetitive motion injuries, which have long-term consequences for their health. The survey data allows us to examine this possi-

bility by comparing reporting of workplace illness in non-unionized factories between workers on a standard work week and workers working a 4x4 work week.<sup>43</sup> What the data show is that workers with a 4x4 workweek are almost twice as likely to report workplace illness (38% vs. 21%). [See Figure 19.]

The piece-rate system, which determines workers' salary in part or entirely based on their production output, has characterized garment production for over a century. It is used so that workers push themselves harder to meet production targets, often avoiding bathroom breaks or even skipping meals. A noticeable change in the system in recent years is a shift from individual piece-rates or production bonuses, in which workers earn a salary based on their own production, to group-based piece-rate or production bonus system. Under the latter, workers salary is defined, at least in part, by the production output of a production line or module, also known as a "celda" in Spanish. According to the survey results, 27% of workers earn bonuses based on individual production whereas 73% earn production bonuses based on the production of a group. Under a group system, workers are encouraged to scold any group member who falls behind, because 'slow' workers affect the ability of the entire group to meet the group's production target, which affects the wages of the entire group. Co-workers thus become *de facto* supervisors/monitors of other workers in their group.

The intensity of work driven by this production target system—together with long shifts—are the main causes for the occupational health-related issues listed above. At issue is that the production targets are often increased by employers year to year. Intensity of work and long shifts affect all workers, with or without a collective bargaining agreement. However, what the survey results reveal is that workers with a CBA are less likely to have significant

**Figure 19: Workers Reporting Workplace Illness (OSH)**



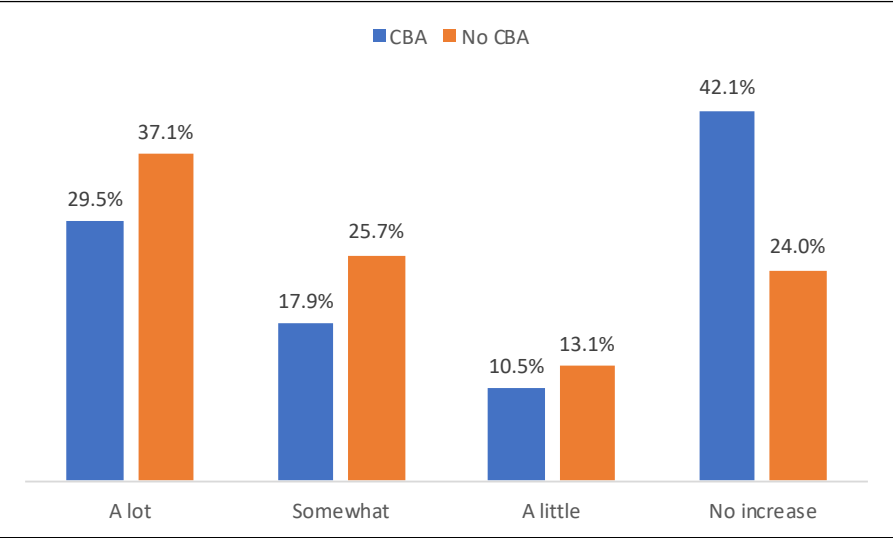
<sup>42</sup> Discussion with the Honduran research team, May 3, 2022.

<sup>43</sup> Unionized factories are excluded from this sample because unions assist workers in pursuing OSH complaints. Thus, a high rate of workplace illness in unionized factories often reflects a higher rate of advocacy, not a higher rate of illness.



production target increases from year to year, relative to workers without a CBA. Indeed, 42.1% of workers with CBAs indicated that their production targets did not increase over the past year whereas only 24% of workers without CBAs did not have increases in production tar-

**Figure 20: Increase in Production Target Over the Past Year**



gets. [See Figure 20.]

The impact of the COVID-19 pandemic has been extreme for maquila workers. On the positive side, the majority of workers surveyed (90.1%) report receiving the necessary protective equipment, such as masks. Yet, 33.3% report that there is no social distancing in their factories, and 61.1% report more stress at work due to the COVID-19 protocols. In its initial response to the pandemic, the Honduran government put the country (including the maquila sector<sup>44</sup>) on lockdown from March 14, 2020, to April 24, 2020. When the government announced that more than 100,000 workers in the maquila sector would be

kept home, union, employer, and government representatives negotiated a crucial agreement by which employers would pay suspended employees HNL 2,500 (USD 104) per month and the government would provide HNL

3,500 (USD 146) per month during the lockdown. This program was intended to provide workers, who would necessarily be suspended from employment (under the existing law, a suspension without pay) while their factories were closed. When compared with other garment producing countries around the world that provided no such subsidy for garment workers, the program was seen as an important benefit for all Honduran maquila worker and evidenced that unions were able to positively impact both the factories where there were

CBAs as well as for factories whose workers were not covered by collective bargaining agreements. However, this was not a legally-binding agreement and often it was necessary to have a union presence to pressure for compliance at individual factories.

The data show that 84.0% of workers with union representation received the employer payments versus 65.9% of workers without union representation. 64.4% of workers with unions received the government payments versus 43.5% of workers without union representation. Moreover, workers with union representation were paid for more months (not all employers continued participat-

**Table 2: COVID-19 Shutdown, Workers Paid by Employer and Government Subsidies during Suspension**

	With CBA		Without CBA	
	Percent	Months <sup>45</sup>	Percent	Months
Employer paid workers 2,500 Lempiras (USD 104) or more per month	84.0%	2.4	65.9%	1.8
Government paid workers 3,500 Lempiras (USD 146) or more per month	64.4%	2.0	43.5%	1.3

<sup>44</sup> Those factories producing personal protective equipment to mitigate the COVID-19 pandemic, such as surgical masks, continued to operate.

<sup>45</sup> The agreement was that workers would receive up to three months' pay, provided the factory remained on lockdown. Many (but not all) received less than three months' pay because their factory opened earlier.

ing for the entire period of the program) relative to workers without CBA coverage. [See Table 2.]

### **Overall impact of CBAs on worker wellbeing**

The above analysis indicates that wage increases are an important positive impact for workers resulting from CBAs and that there are many additional economic and non-economic impacts. Non-economic impacts importantly involve dignity at work, which includes freedom from verbal abuse and sexual harassment. Indeed, the process of bargaining itself gives workers a sense of dignity and ownership over outcomes, because it allows the workers to participate in a process that is transforming their lives.

In the survey, we included an open-ended question in which we asked the respondents what difference CBAs have made in the life of workers. The most common response was, “We are listened to now.” Others stated, “We have better income and benefits, and more stable employment.” Still others indicated that “Management shows us greater respect as workers.” Several stated, “There is less abusive treatment.” One worker observed, “The production targets have been reduced.” And numerous others stated, “They [the employers] respect our rights now.”

### **Wire Harnesses Sector: Poor Working Conditions and a Refusal to Bargain**

As noted in Part I of this report, wire harnesses (autos parts) are an important part of the Honduran maquila export sector. Honduras is the number one exporter in Central America for wire harnesses. In 2021, there were 17,000 Honduran workers in this sector. Major producers include the Honduras Electrical Distribution Systems (Kyungshin-Lear), which produces for Kia and Hyundai; Aptiv Services Honduras; Lear Automotive EEDS Honduras; Empire of Honduras; and Delfingen HN Cortes.<sup>46</sup>

Kyungshin-Lear is a joint venture in which the Korean company Kyungshin owns a 51% share, and the US com-

pany Lear holds a 49% share. Most of the 4,000 workers are 18 to 25 years old, and 40% are women. The company has a long history of abusive labor conditions and union repression. Workers have been denied overtime pay, and they are punished if they do not meet excessive production targets. Men are tasked with lifting 50-pound boxes at a fast pace. Workers complain of eye soreness as they strain their eyes throughout the shift to assemble components.<sup>47</sup> Bathroom breaks are ‘unduly restrictive’ (DOL 2015).

In 2011, there were five attempts to form a union at Kyungshin-Lear. Union leaders were repeatedly fired by the company, despite the fact that Article 516 of the Labor Code prohibits such action. The company denied Ministry of Labor inspectors access to the factory to examine the case and refused to attend conciliation meetings set up by the Ministry (DOL 2015). The union continued to elect new union leaders, but the company has refused to bargain with them, as required by law. In 2018, the union presented with management with a ‘list of petitions or demands,’ which is a proper step to start



<sup>46</sup> See: [http://www.ahm-honduras.com/?page\\_id=1024](http://www.ahm-honduras.com/?page_id=1024)

<sup>47</sup> Author, interview with Sitrakkyungshinlear union leaders, San Pedro Sula, October 30, 2021.

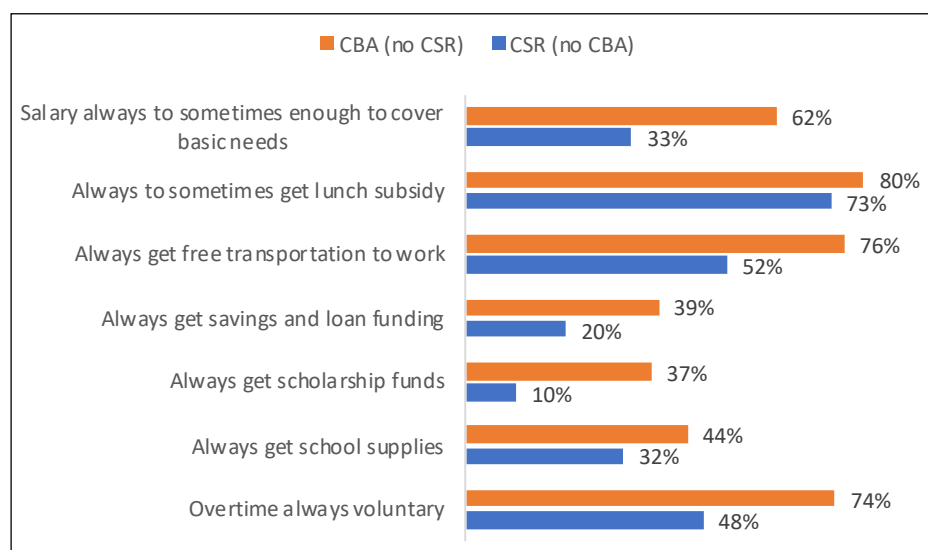
<sup>48</sup> Ibid.

the collective bargaining process. However, management refused to receive the petition, and the union leaders left it at the feet of management where it remained untouched.<sup>48</sup> The Labor Ministry imposed increasingly severe fines on the company for its violation of the Labor Code, but the company has refused to pay these fines (DOL 2015). As the U.S. Department of Labor observed in its June 2021 report *Progress in Implementing Chapter 16 (Labor) and Capacity Building under CAFTA*, in Honduras, “some emblematic cases of labor law violations remain unresolved” (DOL 2021: 35). At the top of this list of unresolved cases is Kyungshin-Lear. However, this is not the only factory in the autoparts sector where there is a union but where factory management has refused to negotiate. The FITH labor federation has a union at Empire of Honduras in San Pedro Sula and management has not been willing to negotiate.

### Government and private compliance mechanisms

Collective bargaining is not the only mechanism that seeks to improve working conditions in global supply chains. Government workplace inspection departments and private social compliance programs also promise the same goals. A section in the first part of the report indicated numerous shortcomings on the part of the government in terms of its ability to even collect fines for egregious violations.

**Figure 21: Working Conditions in Garment Factories with CSR programs but no CBAs versus Garment Factories with CBAs**



In the survey, the research team asked workers if they were aware of private social compliance (CSR) inspections in their factories, a question to which 44% responded in the affirmative.<sup>49</sup> This allows for a comparison of the impact of CBAs versus CSR programs on workers’ lives. Here the study compares garment factories with CSR programs but without CBAs to garment factories with CBAs but without noticeable CSR programs (e.g., workers surveyed were unaware of CSR inspections). What the survey indicates is that, in every substantial category, working conditions were substantially better in factories with CBAs relative to factories audited by CSR inspections but without CBAs. [See Figure 21.] Moreover, in garment factories with CSR auditing programs but without CBAs, workers earned, on average USD 369, whereas, in garment factories with CBAs, workers earned, on average, USD 395 per month, a 7% difference.

<sup>49</sup> Given the pervasiveness of CSR programs in the garment sector, we assume some workers were unaware of CSR activities in their factories. However, the fact that they are unaware of such activities suggests that these are less active programs and thus less significant.



*Members of the Southern Apparel Contractors Workers' Union carry a banner supporting dignified and healthy workplaces, free of forced labor in the Honduran garment sector.*



## Conclusions

For decades, poor countries have been told by international agencies and policy experts that their pathway to development began with light manufacturing exports, particularly garments. Trade agreements, aid programs, and tax policies were all designed to incentivize the growth of these exports. In many countries, jobs did grow. But they were not good jobs; they are jobs that have been characterized by low wages, long and intense hours of work, and abusive treatment. However, in Honduras, working conditions improved as unions grew and workers were covered by collective bargaining agreements (CBAs).

CBAs began to expand in Honduras following the ‘Washington Agreement’ signed by Fruit of the Loom and a Honduran trade union. Intense worker organizing and international pressure have resulted in the negotiation and signing of 22 CBAs in the sector that provide benefits superior to the labor law to 50,625 workers—this represents 44% of all garment workers. The CGT and FITH labor organizations built their union organizations and increased their ability to improve workers’ lives. As Daniel Durón, President of CGT, states, “There are worker rights violations. There are violations every day. But there are unions that address these violations. That’s the difference.”<sup>50</sup>

These achievements cannot be understated. In neighboring El Salvador, not one single garment export factory is covered by a CBA. In Guatemala, only a handful of small unions represent workers and there is only one collective bargaining agreement in this sector. In Bangladesh, the second largest garment exporter in the world, only 4% of workers enjoy unionization and fewer than 1% of these workers are covered by CBAs. In China and Vietnam, unions are controlled by the State and do not allow for or empower workers to advocate for their interests.

Through an analysis of various data sources, in-depth interviews, and a survey of 387 workers, this report documented the profound and far-reaching impact of CBAs in the Honduran maquila sector on the lives of

workers. Workers with CBAs, relative to workers without CBAs in the country are 67% more likely to always have overtime be voluntary, 82.1% more likely to always have a lunch subsidy, 93.6% more likely to have access to a company savings and loan program, 56.3% are more likely to have free transportation to and from work, and 83.1% more likely to find that work intensity is not increasing year to year.

This report also found that poor working conditions (such as low wages, high production targets, long hours of work, and abusive treatment) contributed to the desire of workers to quit their jobs and migrate. However, the survey also revealed that workers covered by CBAs are 25.3% less likely to migrate relative to workers without CBA coverage, as they have more access to decent work, fair wages, and safe working conditions, reducing economic coercion, and other factors that compel migration. When compared to workers with a CBA, workers not covered by a CBA were 20.3% more likely to face verbal abuse, and female workers who were not covered by a CBA were 10.7% more likely to report that they had been sexually harassed on the job. Notably, female workers covered by CBAs were 119.8% more likely to have a valid mechanism at work for addressing sexual harassment on the job.

The expansion of collective bargaining has also allowed unions to consolidate their power and extend their impact beyond unionized workplaces through national, tripartite bargaining with employer and government representatives. In recent years, they did this in three ways: First, by negotiating significant minimum wage increases over a five-year period for all maquila workers; Second, by negotiating employer and government economic support for maquila workers during the COVID-19 lockdown of early 2020; and thirdly by negotiating support for workers to put a down payment on a home from the Honduran Association of Maquiladoras and an additional support from the government through the Convivienda program.<sup>51</sup>

As a result of the 2018 minimum wage negotiations, workers have been receiving a 7.5% to 8% wage increase every year at a time when inflation has ranged

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<sup>50</sup> Interview with author, Daniel Durón, President of CGT. Nov. 1, 2021, Tegucigalpa.

<sup>51</sup> Tripartite Minimum Wage Agreement 2019-2023, January 9, 2019.



between 3.5% and 4.5%, indicating sustained real wage increases. On top of this wage increase, workers covered by CBAs receive an additional 6.5% wage premium. In 2021, this amounted an average wage increase of 14% for workers with CBAs (7.5% due to the union-negotiated minimum wage increase, and an additional 6.5% through enterprise bargaining).

The union negotiated economic support that was available for all maquila workers during the 2020 COVID-19 lockdown of HNL 2,500 (USD 104) per month from employers and HNL 3,500 (USD 146) per month from the government. However, this was a non-binding agreement, which meant that pressure was often needed by enterprise unions to ensure employer and government compliance. What the survey data indicate is that 84.0% of workers with union representation and CBAs received the employer payments versus 65.9% of workers without CBAs. And 64.4% of workers with union representation and CBAs received government payments versus 43.5% of workers without CBAs. Moreover, workers with union representation and CBAs were paid for 2.0 to 2.4 months during the lockdown, whereas workers without CBAs received payments for 1.3 to 1.8 months.

Finally, the report examined the impact of CSR programs on working conditions versus the impact of CBAs on working conditions. It found that the workers with CBA coverage earned, on average, 7% more than workers with CSR inspections but no CBA coverage. Workers with CBAs were also more likely to have a choice as to whether or not to work overtime, a savings and loan program, scholarship funds, school supplies for their

children, and company-provided transportation to and from work relative to workers with CSR inspections but no CBA coverage. Overall, this report finds that CBAs (as well as tripartite-level bargaining by unions) have had a profound impact on the lives of workers that go beyond economic improvements to give workers respect and dignity at work.

No doubt, there is much more to do. Workers with and without CBAs are not yet earning a living wage. Work intensity, long shifts, and health and safety issues continue to be significant concerns. Furthermore, each and every round of bargaining is a struggle, with employers often asserting that economic conditions are such that more significant improvements are not possible. Evangelina Argueta of the CGT labor federation states that, over the years, employers have been getting tougher in the negotiations. She notes that employers state, “The labor cost per output is too high in Honduras, that it is much lower in Asia.” At this writing, workers are protesting at some FOTL to demand that the 4x4 work week properly cover the minimum wage. Joel Lopez of the FITH labor federation says that his unions face similar experiences. “With each CBA we negotiate, the negotiations are getting harder.” This highlights the need to expand unionization and collective bargaining elsewhere in the garment export sector. Nonetheless, work done by unions in Honduras and their national and international allies sets an important example for all those concerned about achieving decent work in global supply chains: collective bargaining has been and continues to be the most profound and sustainable mechanism for achieving work with dignity.





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# Appendix 1

## Calculation Methodology for Determining the Cost Breakdown of a Cotton T-shirt Made in Honduras

To determine “who gets what,” it is necessary to calculate the following:

1. The production and shipping cost of the garment;
2. The final sales price of the garment;
3. The local value added of the garment (value generated in Honduras); and
4. The labor share of the value added of the garment.

For the production and shipping cost, as noted above, US trade data indicate that the largest apparel export from Honduras to the U.S. are men’s and boy’s cotton knit t-shirts. The trade data establish that the average import price for this product is **USD 2.29** per garment.

For the final sales prices, prior research indicates that the “free on board” (FOB) price<sup>52</sup> of a garment accounts for approximately 25% of the final sales price. This means that this t-shirt would, on average, sell to the consumer for **USD 9.16** ( $\text{USD } 2.29 = 25\% \text{ of } \$9.16$ ). Of the garment’s sale price of USD 9.16, warehouse and freight costs in consumer countries account for approximately 15% of the sales price, and 60% of the sales price goes to the retailer for its profits and costs (including licensing and brand marketing) (O’Rourke Group Partners 2011).

The production and shipping cost of USD 2.29 includes fabric and other inputs that are imported. The Honduran Central Bank data for 2021 indicate that 31% of the export value of garments produced in Honduras was generated in Honduras (e.g., value added in Honduras accounts for 31% of the FOB price).<sup>53</sup> In the case of our example of our knit cotton t-shirt, 31% of USD 2.29 is **USD 0.71**.

This leads us to our last question: Of the USD 0.71 that remains in Honduras, what goes to the production workers? For this calculation we look at total compensation and total number of workers. In 2019, there were 146,000 workers in the maquila sector earning, on average, USD 319 per month. To this, we add 45% for social security tax, holiday bonuses, vacation pay, and severance.<sup>54</sup> This indicates a total compensation per worker per month of USD 463. Taking this monthly compensation of USD 463 and multiplying by 12 months and by 146,000 workers, we find that the combined annual total of worker compensation in 2019 was USD 811 million. This amounts to 50.69% of the value added generated in the maquila sector that year. The remaining 49.3% of the export value went to executive/management compensation, overhead, trim costs and profits.  $\text{USD } 0.71 \times 50.69\%$  is **USD 0.36**. That is to say, for every cotton knit t-shirt made in Honduras, the worker receives an average payment of USD 36 cents.

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<sup>52</sup> FOB includes all costs to produce a garment until it shipped. Thus, it includes the cost of cotton, yarn, fabric, sewing, etc. But it does not include shipping, freight insurance, import duties, etc.

<sup>53</sup> See Report on Foreign Trade of goods for transformation. Central Bank of Honduras, report. Accessed December 13, 2021.

<sup>54</sup> See [http://www.ahm-honduras.com/?page\\_id=2383](http://www.ahm-honduras.com/?page_id=2383)

# Interviews

*All interviews were conducted face-to-face in Honduras unless otherwise noted.*

1. Jeffrey Hermanson, Adviser to CGT union during FOTL negotiations, phone interview, September 16, 2021.
2. María Elena Sabillón, Director, Solidarity Center-Honduras. October 25, 2021
3. Joel Almendarez, Secretary General, CUTH. October 25, 2021.
4. Evangelina Argueta, Erika Pineda, Gloria Guzman, María Aguiriano, Osmin Aceituno, CGT-Maquila Group. October 25, 2021.
5. Dania Lopez, Lorena Rivas. Union of New Holland Apparel (Now Tegra), FITH. October 25, 2021.
6. Laura Vera, United Federation of Workers in Denmark (3F). October 26, 2021.
7. Maritza Paredes, EMIH. October 26, 2021.
8. Damicela Mayes, CDM. October 26, 2021.
9. Yadira Minero, Independent Researcher. October 28, 2021.
10. Arnoldo Solís, General Director, Association of Honduran Maquiladores. October 28, 2021.
11. Ada Lizeth Martinez, Sitragenesis union. October 28, 2021.
12. Fany Raquel Mejia Alaron, Sitrafrancis union. October 28, 2021.
13. Gladys Leticia Cruz Meza, Sitragenesis union. October 28, 2021.
14. Santiago Palma, President, Sitrafrancis union. October 28, 2021.
15. Didier Sanchez, Sitraelcatex union. October 28, 2021.
16. Aryane Trew, Worker Rights Consortium. October 27, 2021.
17. Aldor Rafael Castillo, Sitrakyungshinlear union. October 30, 2021.
18. Meeting with Sitrakyungshinlear union. October 30, 2021. Jessica Saria Mardiaga (president), Kevin Pineda Muñoz, Adolfo Alexander Toro, and Olvin Adelso Alba Rápalo.
19. Abel Enrique Martel Lopez, Sitragavsa union (Gildan). October 30, 2021.
20. Elder Mauricio Solls López, Sitramavi union (Fruit of Loom). October 30, 2021.
21. Luis Gerardo Mateo Martinez, Sitraghosiery union (Gildan). October 30, 2021.
22. Brayan Efrain Rodriguez Castro. Sitragilmatex union (Gildan). October 30, 2021.
23. Hector Díaz, Lawyer and University Professor. October 31, 2021.
24. Daniel Durón, President of CGT. November 1, 2021
25. Olvin Villalobos, Minister of Labor. November 1, 2021.
26. Wilber Zavala, United Federation of Workers in Denmark (3F). November 2, 2021.
27. Salvador Espinoza, labor lawyer, Zoom interview. November 3, 2021.
28. Felipe Jones, Edward Bardales, Fruit of the Loom (Honduras). November 3, 2021. (Factory visit).
29. Luis Alonso Aguilera and Selvin Sanchez, SitraRLA union (Fruit of the Loom). November 3, 2021.
30. Mauricio Serrano, Jerzees Nuevo Día manager (Fruit of the Loom). November 3, 2021. (Factory visit)
31. Victoria Reyes and Moises Montoya, SitrajerzeesND union (Fruit of the Loom). November 3, 2021.
32. Claudia Sandoval, Vice President, Corporate Citizenship, Gildan Activewear. November 3, 2021. (Factory Visit)
33. Elvis Discual, General Manager, Gildan Activewear San Antonio. November 3, 2021. (Factory Visit)

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