



WORKER RIGHTS CONSORTIUM

**Worker Rights Consortium Verification Report  
Re Labor Rights Compliance at Altagracia Project Factory  
(Dominican Republic)**

**Findings**

**January 29, 2016**

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## **I. Executive Summary**

This report assesses labor rights compliance at the Alta Gracia Project Holdings Limited facility (henceforth “AP” or “the factory”) in Villa Altagracia, Dominican Republic. The Worker Rights Consortium (WRC) conducts intensive and continual monitoring at AP regarding compliance with the factory’s enhanced labor standards, including unprecedented commitments regarding living wage and respect for freedom of association.<sup>1</sup> During the current reporting period, the factory began to operate independently of its former parent company, Knights Apparel. Knights Apparel was acquired by HanesBrands on April 6, 2015. At the time of Knights’ acquisition, Alta Gracia incorporated as an independent firm, registered under the name Alta Gracia Holdco, Inc.

Under the compliance assessment process developed by the WRC for our work vis-à-vis Alta Gracia Apparel, the WRC issues comprehensive public reports of our monitoring work at the factory on a regular basis. This document is the sixth such report, and covers the period of September 1, 2014 to September 1, 2015.<sup>2</sup>

To the WRC’s knowledge, this factory is the first and only export apparel factory in the Global South where workers are paid a genuine living wage and have organized a union without interference or retaliation by management. In consideration of the unique nature of this project, it is crucial that the factory fully comply with the labor rights commitments that it has made. To verify compliance, the WRC has subjected the factory to intensive and ongoing scrutiny, making it, in all likelihood, the most comprehensively monitored collegiate apparel factory in the world.

Based on months of thorough evidence gathering, analysis, and dialogue with all concerned parties, the WRC concludes that AP continues to be in full compliance with its labor rights obligations, including those required by Dominican law, those set forth in all university codes of conduct, and the higher standards agreed upon under the special terms of this project. Factory management has moved swiftly and effectively to address most problems identified in the monitoring process, which have been relatively minor and few in number. The WRC recommends in this report that AP take several additional steps to address outstanding issues regarding work hours and health and safety issues.

AP has achieved a culture of respect for worker rights that represents a model for the apparel industry. Management’s respect for workers impacts the high levels of compliance with all elements of the code, but is particularly notable in the area of freedom of association.

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<sup>1</sup> “Labor Standards for the Villa Altagracia Project Factory,” available at:

<http://www.workersrights.org/linkedddocs/Alta%20Gracia%20Labor%20Standards.pdf>.

<sup>2</sup> The WRC issued the first compliance report regarding the Alta Gracia Project in December 2010 and has issued subsequent annual reports in December 2011, January 2013, March 2014, and November 2014. The WRC monitoring reports can be viewed at: <http://workersrights.org/verification/index.asp>. In addition, in July 2010, the WRC issued a public report solely concerning compliance with the living wage standard applicable to the factory. This report can be viewed at: <http://www.workersrights.org/linkedddocs/WRC%20Living%20Wage%20Verification%20Report%20re%.20Altagracia%20Project%207-16-10.pdf>.

Throughout this reporting period, the WRC closely monitored the implementation of benefits and pay increases outlined in the collective bargaining agreement that was signed in July 2013 between Knights Apparel and the Union of Alta Gracia Project Workers (Sindicato de Trabajadores de Alta Gracia Project, SITRALPRO). SITRALPRO, the union representing the AP workers, is affiliated to the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS). The contract, which was signed for a period of two years, expired in July 2015. Representatives of AP and SITRALPRO began, during the current monitoring period, to negotiate the terms and benefits of a new collective bargaining agreement; the WRC has been monitoring the bargaining process.

The WRC also notes that a report recently published in the *BMJ* (formerly the *British Medical Journal*) highlighted the positive health effects for AP workers that resulted from the living wage paid at the factory.<sup>3</sup> The study was conducted by researchers from the Stanford and UC San Francisco medical schools and the UC Berkeley School of Health, in collaboration with the WRC. Their analysis, comparing AP workers with workers at a nearby Dominican factory paying the lower prevailing wage, found that AP workers have significantly fewer symptoms of clinical depression than workers who are not earning a living wage. The findings of this study provide further evidence that living wages improve workers' wellbeing, not only in important material terms, but in vital emotional and psychological terms as well. Moreover, significantly lowering rates of clinical depression is also a key factor in producing better short and long-term physical health outcomes for these employees.

## **II. Background**

AP is an apparel manufacturing plant in the Villa Altagracia Free Trade Zone, located in the town of Villa Altagracia in the San Cristobal province of the Dominican Republic. AP employs approximately 140 workers who produce university logo t-shirts and hooded sweatshirts.

AP has committed not only to meet the labor standards of the brand's university licensors, but to comply with additional standards on wages and freedom of association that go beyond traditional university and corporate codes of conduct. An initial agreement in which Knights Apparel attested to these commitments was signed by Knights Apparel, Fedotrazonas, and the WRC in January 2009; the factory hired its first machine operators on February 17, 2010. These commitments, which include payment of a living wage calculated by the WRC and unprecedented steps to ensure that workers can freely exercise their right to organize, make the AP facility, to the WRC's knowledge, unique in the export garment industry in the developing world.

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<sup>3</sup> Burmaster, K. et. al, *Impact of a private sector living wage intervention on depressive symptoms among apparel workers in the Dominican Republic: a quasi-experimental study*, British Medical Journal, August 3, 2015, <http://bmjopen.bmj.com/content/5/8/e007336.full?keytype=ref&ijkey=eTTDxgLN00QmF4W>.

As noted above, in February 2015, AP's holding company and primary buyer, Knights Apparel, announced that it was being acquired by HanesBrands and that Alta Gracia would spin off as a stand-alone entity.<sup>4</sup>

Alta Gracia Project Holdings Limited and its new parent company in the US, Alta Gracia Holdco, continue to honor the language of the agreement reached between Knights Apparel, FEDOTRAZONAS, and the WRC to honor the living wage and exemplary labor standards originally agreed to by Knights Apparel.

The factory is the exclusive producer of Alta Gracia brand t-shirts and sweatshirts. This brand of university and college logo apparel is sold at campus bookstores and is marketed with a strong emphasis on the exemplary labor conditions under which the products are manufactured. Pursuant to the agreement referenced above, the WRC permits AP to place a hang tag on Alta Gracia garments bearing a statement from the WRC confirming that the goods are sewn at a factory that respects worker rights, including the right to organize and the right to a living wage. Continued permission to affix this tag to the products is conditional upon continued compliance by the factory with the applicable labor standards.

AP management continues to provide the WRC with unfettered access to the factory, including all relevant factory records. The WRC is aware of no other export apparel factory that has provided this level of access and transparency to a monitoring organization that operates completely independently of the factory and its customers. This has enabled the WRC to carry out a monitoring program of unprecedented scope and rigor.

### **III. Monitoring Methodology**

In order to verify compliance with the code of conduct adopted by AP, the WRC carries out monitoring in accordance with the following protocol:

- Continual monitoring of compliance with the living wage requirement, through detailed monthly review of factory payroll records and worker pay slips and in-depth interviews with workers to ensure that factory payment records match actual payments to workers.
- Ongoing monitoring of compliance with all other code standards through:
  - Interviews and other communication with union representatives (at least bi-weekly)
  - Interviews and other communication with individual workers, conducted off-site, at locations workers choose (at least monthly)
  - Interviews and other communication with factory managers (at least every other week)

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<sup>4</sup> *HanesBrands To Buy Knights Apparel for \$200 Million*, The Wall Street Journal, February 24, 2015, <http://www.wsj.com/articles/hanesbrands-to-buy-knights-apparel-for-200-million-1424813211>.

- Regular visits to the facility to review relevant factory records, to observe the production process and to inspect the work environment, machinery, and safety gear (at least every other week)
- Real-time troubleshooting, in consultation with all stakeholders (as needed)
- Issue-specific assessments, as needed. An issue-specific assessment is a review of a specific labor standard or practice that has been identified by way of a worker complaint as an area of concern. Workers may submit confidential complaints to the WRC. In the event that a complaint is received, an issue-specific assessment is carried out in a timely fashion.

The WRC recognizes that the most effective day-to-day monitoring of compliance with labor standards is performed by workers and their representatives, acting through democratic labor organizations. Accordingly, the WRC communicates regularly with the factory's union about all labor rights compliance issues.

AP is also subject to the following conditions with respect to the remediation of instances of non-compliance with the project's standards:

- In the event of a finding of a violation of the program's standards, whether through ongoing monitoring or an issue-specific assessment, the factory and its US parent company are obligated to act in a timely fashion to correct the violation.
- If and when a violation is identified, the WRC provides factory management with detailed recommendations for remedial action – developed in consultation with workers, their representatives, and other stakeholders – and an associated timeline to complete such actions.
- If a violation is not corrected within the timeframe specified, the WRC reserves the right to withdraw its verification of compliance. Under such circumstances, Alta Gracia shall relinquish the right to place a WRC hang tag on the product, or make any other public reference to the WRC's verification, until such time as the WRC has confirmed that the violation has been corrected. If a pattern of repeated violations occurs, the WRC can withdraw the right of Alta Gracia to use the WRC hang tag and to make any other public reference to the WRC verification of compliance for an extended period of time or permanently, at the WRC's sole discretion.

## IV. Applicable Standards and Findings

### A. Wages and Benefits

#### *Code Requirements:*

*The Villa Altagracia Project Factory (“the factory”) shall pay employees, as a floor, wages and benefits which comply with all applicable laws and regulations, and which provide for essential needs and establish a dignified living wage for employees and their families. A living wage is the “take-home” or “net” pay earned by an employee working a country’s legal maximum workweek which, in the case of the Dominican Republic, is 44 hours. A living wage is calculated by dividing the amount of money required to meet the basic needs (housing, energy, nutrition, clothing, healthcare, education, potable water, childcare, transportation, and savings) of an average-sized family of an employee in the garment manufacturing sector of the country by the average number of adult wage earners in an average-sized family of an employee in the garment manufacturing sector of the country.*

*The Worker Rights Consortium has determined, through a country-specific market basket analysis, that a living wage in the Dominican Republic is 222,042 Dominican pesos<sup>5</sup> per year (“the Living Wage Standard”). To comply with the Living Wage Standard, all employees in the factory must be paid a gross wage sufficient to yield take-home pay of at least 222,042 Dominican pesos per year. The required gross wage is equal to 18,152.99 Dominican pesos per month or 4,189.15 Dominican pesos per week. In order to be in full compliance with the Living Wage Standard, the factory must:*

*a. Pay all employees in the factory at least the Living Wage Standard, regardless of an individual employee’s level of production, for a regular workweek, exclusive of any overtime hours. The only bonus that may be considered as payment toward fulfillment of the living wage obligation is the annual mandatory Christmas bonus which all employees in the Dominican Republic receive regardless of production level. All production bonuses, all other non-mandatory bonuses and incentives, and all compensation for overtime hours must be paid in addition to the Living Wage Standard.*

*b. Make no deductions from employees’ pay other than those mandated by law.*

*c. Pay employees for any overtime hours at the premium rate required by law, using the Living Wage Standard, or the actual straight time wage, whichever is higher, as the basis for calculating the premium rate.*

*d. Employ all employees on a year-round basis, and compensate them in accordance with the Living Wage Standard, without lay-offs or furloughs, so that the annual wage earned by a given employee – not including non-mandatory bonuses, incentives, and overtime – is consistent with the Living Wage Standard. The only circumstances under which an employee may receive less than the living wage over the course of a year is if the employee, of his or*

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<sup>5</sup> This number, which was released in 2010, is updated each year for inflation as per item (f) below.

*her own volition, takes unpaid leave for some portion of that year. Unpaid leave is time off that is taken voluntarily and that is not required, by law or by contract, to be compensated as paid vacation, paid sick leave, or other paid leave.*

*e. Minimize the use of temporary and part-time employees, so that, in the course of a year, no more than 10% of the hours worked at the factory are worked by individuals who are not full-time, year-round employees. Pay any part-time or temporary employees no less than the Living Wage Standard for all regular hours worked, plus any applicable bonuses, incentives, and overtime pay.*

*f. Ensure that the value of the living wage is not eroded through inflation, by adjusting the Living Wage Standard, in October of each year, to account for the increase in the cost of living over the prior 12 months, if any, as measured by the Dominican Central Bank. If a union is present in the factory, the factory may, at the union's request, modify the schedule for revising the Living Wage Standard to incorporate the revision into the collective bargaining process, provided that employees are made whole for any loss of wages due to delay in the revision of the Living Wage Standard that may result. Wages must be increased to reflect increases in the cost of living, but there will be no reduction in wages in the event of deflation.*

*g. Treat the Living Wage Standard, in the context of collective bargaining, as a floor for negotiations, rather than the upper limit of what employees may earn. The factory's management must bargain over wages and benefits with any duly constituted union at the factory, and Knights Apparel, as the primary buyer, must pay a price for the factory's products that make it feasible for factory management to bargain in good faith over wages and benefits.*

#### *Findings:*

The WRC conducted a detailed review of factory payroll records and hour logs for 12 pay periods between September 1, 2014, and September 1, 2015. The WRC also regularly conducted off site worker interviews during which workers provided pay stubs to ensure compliance with the Living Wage Standard. Additionally, the WRC conducted issue-specific inquiries into payroll records in response to potential violations of the Living Wage Standard that were identified through worker interviews or complaints.

The WRC found AP to be in full compliance with all the stipulations of the Living Wage Standard. During the reporting period, the WRC communicated with management about isolated worker-reported errors in the calculation or payment of wages and then monitored these cases in order to ensure that the company provided arrears to workers.

The factory also complied with the inflation adjustment stipulated in the living wage agreement to ensure that the benefit of the Living Wage Standard was not diminished by inflation. As noted above, a collective bargaining agreement signed in 2013 is currently in effect. Prior to the signing of this collective bargaining agreement, AP had increased wages



annually in an amount equal to inflation. The terms set by the first collective bargaining agreement required the factory to pay workers an annual four percent salary increase, based on the average annual inflation rate in previous years. The WRC is charged, by the collective bargaining agreement, with monitoring the inflation rate and informing both parties if the consumer price index in a given year is higher or lower than four percent; the parties will then discuss an adjustment to the current wage.<sup>6</sup>

Inflation figures released by the Dominican Central Bank indicate that inflation from October 2013 to October 2014 was significantly lower than the four percent salary increase.<sup>7</sup> Thus, the appropriate pay increase for this year was four percent. This increase was implemented on November 15, 2014, bringing the minimum pay rate for machine operators to 5,366.16 Dominican pesos (US\$121.48) per week or 21,464.64 Dominican pesos (US\$485.95) per month.<sup>8</sup> The current minimum wage in the Dominican free trade zones stands at 7,220 Dominican pesos (US\$163.45) per month.<sup>9</sup> The AP living wage is nearly three times the minimum wage for garment workers in the Dominican Republic.

A review of payroll documents and pay stubs, together with information provided by workers during off-site worker interviews, indicated that, in November 2014, the factory properly applied the pay raise mandated by the collective bargaining agreement.

By continually paying the rate stipulated by the collective bargaining agreement, including the annual increases, AP fulfilled the Living Wage Standard. The only exception to this occurred in cases in which workers took approved, unpaid leave that reduced their hours below the standard 44-hour workweek.

The WRC found that the factory is also in full compliance with its obligation to pay vacation days and holidays and medical leave at the Living Wage Standard.

The WRC verified that the factory did not make any unauthorized deductions from workers' pay. In accordance with Dominican law, the factory deducted the 5.91 percent combined deduction for employee contributions to the national pension and health care systems.<sup>10</sup> In addition, the factory deducted a fixed weekly amount of 45 Dominican pesos (US\$1.01) in union dues for those union members who authorized this deduction and subsequently remitted these funds to the union. Likewise, the factory has honored all requests to discontinue deductions of union dues made by those workers who have chosen to leave the union.

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<sup>6</sup> Collective bargaining agreement between Altagracia Project and Workers Union of Altagracia Project (SITRALPRO), Article 6.4.1.

<sup>7</sup> See Dominican Central Bank 2015 inflation figures, <http://www.bancocentral.gob.do/>.

<sup>8</sup> The exchange rate used for the conversions from Dominican pesos to US dollars in this report was calculated at the exchange rate on the last day of the reporting period, August 31, 2015, which was US\$1:DOP 44.17

<sup>9</sup> *Resolution No. 8-2013*, Dominican Ministry of Labor, <http://www.omlad.gob.do/ResolucionesSalariales.aspx>.

<sup>10</sup> Dominican Labor Code, Article 201 and Law 87-01, which can be viewed at: <http://www.dgii.gov.do/legislacion/LeyesTributarias/Documents/Ley87-01.pdf>.

Dominican law requires that workers pay tax on annual income earned in excess of 399,923.01 Dominican pesos (US\$9,054.17).<sup>11</sup> Although machine operators at AP do not, typically, meet this threshold annually, the Dominican tax code requires the employer to withhold the 15% progressive tax on earnings in a given pay period that meet the prorated threshold.<sup>12</sup> In keeping with the law, AP deducted these taxes from the pay made to those operators who met the threshold in a given pay period.

The law further states that workers who pay this tax but do not meet the annual income threshold are to be credited for taxes that may be owed the following fiscal year.<sup>13</sup>

In previous reporting periods, AP reimbursed workers for the full amount of taxes deducted during a calendar year in the first quarter of the following year. At the time of reporting, the factory had committed to reimburse workers for the taxes paid during the final quarter of 2015.

AP fully complied with both Dominican law and the Living Wage Standard in regards to payment of overtime. It is important to note that, in keeping with the workers' stated preference, AP does not use the standard Dominican work schedule, which consists of eight hour workdays Monday through Friday and a four hour workday on Saturday, for a total of 44 hours. AP's work schedule consists of four nine and half hour-shifts (Monday to Thursday) and one six-hour shift (Friday). AP adopted this alternative schedule in response to worker requests. Workers and their representatives continue to express approval of AP's work schedule, which allows the workers time during a business day (Friday) to take care of personal matters and the opportunity to spend more time with their families on the weekend.

The WRC commends the factory for its continued efforts to maintain an open dialogue with worker representatives and to accommodate requests regarding the work schedule; this is a significant departure from industry norms in the Dominican Republic.

Dominican law regarding payment of overtime is written based on the traditional Monday through Saturday work schedule. However, the official 44-hour workweek at AP is completed before Saturday. AP fully pays any hours which merit overtime premiums and thus its payment of working hours meets or exceeds Dominican law and the Living Wage Standard. Under Dominican law, there are several overtime categories. For overtime hours worked Monday through Thursday, a 35 percent premium is required.<sup>14</sup> For any overtime hours worked Monday through Thursday past 9:00 p.m., the law requires payment of an additional 15 percent premium. Thus, the true overtime premium for hours worked past 9:00 p.m. is calculated at 50 percent.<sup>15</sup> The WRC found that the factory correctly paid weekday overtime at these rates based on the Living Wage Standard. In addition, the law requires the employer to pay a 100 percent premium for all hours worked during the workers' rest periods

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<sup>11</sup> Dominican Tax Code, Title 2, Article 296.

<sup>12</sup> Ibid, Article 314.

<sup>13</sup> Ibid, Article 314.3.

<sup>14</sup> Dominican Labor Code, Article 203.

<sup>15</sup> Ibid, Article 204.

and holidays.<sup>16</sup> The Dominican Labor Code defines the rest period, which is based on the traditional six-day work schedule, as any time after noon on Saturday and all day Sunday, unless the schedule is otherwise defined.<sup>17</sup> Because of AP's non-traditional five-day schedule, the factory pays the workers the 100 percent premium for all hours worked upon completion of the 44-hour workweek, starting at 1:00 p.m. on Friday and including all hours worked on Saturday and Sunday.

The factory has also complied with the standard that requires that the total number of work hours performed by temporary employees not exceed 10% of the total number of hours performed at the factory in the calendar year. The factory occasionally depends on temporary employees to unload materials from shipping containers and to provide manual labor for light construction projects when factory modifications or improvements are made. The WRC confirmed through its regular review of payroll records that these workers were paid at the rate required by the Living Wage Standard. The factory also previously relied on a driver who was employed on an infrequent basis. During the current reporting period, in January 2015, the driver was offered full-time employment and the WRC has confirmed that, since that time, he has been paid at the rate required by the Living Wage Standard.

During the current reporting period, 14 employees resigned from the factory and an additional 25 employees were terminated either for disciplinary reasons or as a result of staff cutbacks resulting from production flow at the factory. It is worth noting that this is a very low turnover rate for an apparel factory in the Dominican Republic. The WRC reviewed records related to the payment of severance for these employees and found that all such payments were paid at the rate of the Living Wage Standard and were calculated correctly based on the employees' length of service. The WRC also reviewed payments of employees' year-end bonuses and found that these payments were correctly calculated based on the number of hours the employees worked and the salary the employees earned throughout the year. In sum, based on rigorous monitoring regarding the Living Wage Standard, the WRC found that AP has met or exceeded its commitments with regards to wages and benefits.

## **B. Working Hours and Overtime**

### *Code Requirements:*

*Working Hours: Employees shall not be required to work more than 44 hours per week and are entitled to no less than 36 consecutive hours of rest, at least once per week.*

*Overtime Compensation: All overtime hours must be worked voluntarily by employees. In addition to their compensation for regular hours of work, employees shall be compensated for overtime hours as follows: 1) For hours in excess of 44 hours and up to 68 hours in a single week, at a rate 35% above of the normal wage; 2) For hours in excess of 68 hours in a given week, at a rate 100% above the normal wage; and 3) For hours worked on holidays, at a rate 100% above the normal wage.*

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<sup>16</sup> Ibid.

<sup>17</sup> Ibid, Articles 163-164.

*Findings:*

The factory is mostly compliant with the standards on working hours and overtime, with one area requiring continued improvement.

During the period from July to October 2014, the factory received a large order volume and workers had the option to work overtime almost every day during this period. The WRC confirmed through off-site worker interviews that all overtime hours were strictly voluntary. In addition, as discussed in the living wage section above, the factory paid all overtime premiums, either meeting or exceeding the overtime premiums required by the law and in keeping with the Living Wage Standard.

Though its occurrence has diminished from the last reporting period, the WRC notes one issue that continues to require attention: workers' practice of off-the-clock overtime in order to increase production.

As mentioned in the previous section, the work schedule at AP is 7:00 a.m. - 5:30 p.m. Monday through Thursday and 7:00 a.m. - 1:00 p.m. on Friday with a paid meal break from 9:00 - 9:25 a.m. From Monday - Thursday, workers are granted an unpaid lunch break from 12:00 pm - 1:00 pm. In keeping with Dominican law, AP employees work a total of 44 hours per week.<sup>18</sup>

AP continues to report to the WRC and to workers that off-the-clock overtime, a common practice in the Dominican apparel industry, is prohibited at the factory. In previous reporting periods, workers reported that AP supervisors enforced this policy by disconnecting the electricity inside the factory during break times.

During the previous reporting period (September 2013–August 2014), the WRC reported that, on multiple occasions, WRC representatives observed employees performing work during both the mid-morning and lunch breaks. Workers reported that they chose to perform off-the-clock work in order to meet their daily quota or to meet a higher production target, and thus earn additional bonuses, and that this action was not the result of any intimidation or coercion. However, any case in which off-the-clock work is performed constitutes a violation of factory standards.

The WRC has confirmed that factory management has, during the past three reporting periods, made multiple announcements to employees in an attempt to curb this practice. A limited number of workers continue to perform tasks during break hours. Although factory management has successfully made sure that the electricity is turned off at the start of the lunch break hours, the WRC has observed this relatively small number of workers performing tasks that do not require electricity, such as sorting material.

The WRC recommends that the factory continue to take strict measures to ensure that the electricity is powered down during all break times and clearly communicate the company's

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<sup>18</sup> Ibid, Article 157.

policy on off-the-clock overtime to workers and supervisors. In order to ensure full compliance, the WRC recommends that the factory direct its supervisors to leave the production floor to take their breaks only after they have observed that all of the workers that they supervise have left their workstations.

### **C. Forced and Child Labor**

#### *Code Requirements:*

*Child Labor: The factory shall not employ any person at an age younger than 16.*

*Forced Labor: There shall not be any use of prison labor, indentured labor, bonded labor, or other forced labor.*

#### *Findings:*

The factory is in full compliance with this standard. Worker interviews, union officers' reports, and WRC observation found no child labor or forced labor in the factory. During the period September 1, 2014 to August 31, 2015, a total of 22 employees were hired as machine operators and all were confirmed to be above the legal minimum age of employment.

### **D. Health and Safety**

#### *Code Requirements:*

*Health and Safety: The factory shall provide a safe and healthy working environment to prevent accidents, illnesses, and other injuries to health arising out of, linked to, or occurring in the course of work or as a result of the factory's operations. The factory shall comply with the health and safety laws and regulations of the Dominican Republic.*

#### *Findings:*

In addition to WRC monitoring, the factory's practices with respect to worker health and safety have, during previous monitoring periods, been monitored by two leading occupational health and safety experts, Garrett Brown and Mariano Kramer of the Maquiladora Health and Safety Solidarity Network (MHSSN). At the WRC's recommendation, following their audits, Knights Apparel and factory management agreed to closely follow MHSSN's guidance on health and safety issues.

During the first three reporting periods, AP received direct technical assistance and training from the MHSSN and the University of California at Berkeley Labor Occupational Health Program (LOHP) in order to establish an exemplary occupational safety and health program. The MHSSN and LOHP provided the factory with expert advice during the factory's renovation regarding industry best practices and subsequently carried out four in-depth factory evaluations, most recently on July 26, 2013. In addition, in June 2010 and July 2013, the MHSSN and LOHP provided training to the factory's newly-formed Health and Safety

Committee, the presence of which is required by Dominican law.<sup>19</sup> During previous reporting periods, the Committee also received training from local government agencies on how to avoid potential hazards and injuries. The health and safety improvements that the factory adopted as a result of these consultations, inspections, and trainings are reviewed in depth in previous comprehensive monitoring reports.

During the current monitoring period, the factory's Health and Safety Committee continued to meet every month for most of the current reporting period. However, interviews with factory management and a review of relevant documents confirmed that the Committee did not hold regular meetings between the dates of May 18, 2015 and October 26, 2015. Dominican law states that the factory Health and Safety Committee must meet, at a minimum, one time per month.<sup>20</sup> When questioned about the failure of the parties to hold the minimum number of meetings during this period, management reported to the WRC that the factory's representative to the Committee postponed several meetings in a row as a result of his work to update the factory's health and safety policy manual. However, AP management acknowledged to the WRC that it recognizes the importance of the meetings, and the fact that they are legally required, and has committed to ensuring that, going forward, the parties will comply with the law in ensuring that the meetings occur on a monthly basis.

The Committee provides education on health and safety issues to the Alta Gracia workforce. Workshops conducted between September 1, 2014 and August 31, 2015 included a review of many of the topics covered in previous years. The Committee conducted regular informational sessions with workers on basic health and safety practices, including fire drills, the proper use of fire extinguishers, and basic first aid techniques. The factory continues to employ a practice initiated in January 2014 in which general safety rules are read to the workers over the loudspeaker at the beginning of each workday.

The WRC has continued to monitor the factory's Occupational Health and Safety (OHS) program and, in most instances, AP continued to implement best practices, and, with the exception of the Committee's failure to meet in the final months of the current reporting period, complied with Dominican health and safety laws and additional standards recommended by MHSSN and LOHP.

New health and safety measures that were implemented by the factory during the current reporting period as a result of recommendations made by the Health and Safety Committee and by the maintenance department include the following:

*Fall Prevention*

- In March 2015, sections of the driveway ramp of the factory were repaved in order to cover potholes,

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<sup>19</sup> Reglamento 522-06 de Seguridad y Salud en el Trabajo y Resolución 04

<sup>20</sup> Ibid, Article 6.4.2.



which prevented a fall risk to workers when leaving the factory on foot or on motorcycle.

- In April 2015, a drainage pipe on the exterior of the factory was placed underground and connected directly to a drain. Previously, the pipe emptied water onto a concrete pathway and the accumulation of water after periods of heavy rain presented a fall risk to workers.
- In May 2015, a drainage pipe was installed in order to channel condensation from an air conditioner to the plant's exterior, thereby eliminating fall risks presented by water that collected on the pathway below the air conditioner.
- In June 2015, a step on a pathway in the rear of the plant was removed and converted into a ramp in order to reduce fall risk.



#### *Injury Prevention*

- In February 2015, a deteriorated section of corrugated metal roofing, which covers the outdoor cafeteria, was replaced in order to prevent injury to workers who often sit directly under the structure during their breaks.
- In February 2015, an area around the water compressor in the rear exterior of the factory was enclosed to prevent access to unauthorized personnel and thereby avoid risk of injury.



#### *Emergency Evacuation*

- In March 2015, the factory's sewing modules were repositioned in order to increase the space between the modules and create a continuous and unimpeded pathway between workstations. The new arrangement allows for a more expeditious evacuation of the workers in the event of an emergency.





### *Exposure to Chemicals and Hazardous Materials*

- In March 2015, a locked gate was constructed in order to close off an area designated for the storage of hazardous materials that may pose risk of injury to workers.
- In April 2015, an eye wash kit was added to the stain removal department.
- In June 2015, a concrete shed was constructed to warehouse hazardous chemicals including bleach, paint, and degreasing agents.



### *Fire Safety*

- In May 2015, potentially flammable materials, including printer toner, were removed from the storage room where heat seals and transfer tags are stored in order to reduce the risk of fire.
- In August 2015, an oil leak in one of the factory's air compressors was repaired.

While AP took significant steps to promptly remedy violations of the Dominican Health and Safety codes and to take other steps to make best practice improvements, some health and safety issues have not been fully addressed by the factory. The WRC continues to monitor the factory's schedule for remedying the following, outstanding violations:

- In June 2014, the Health and Safety Committee identified the need to widen the door at the front entrance of the factory in order to allow workers to exit the factory safely in case of an emergency. Factory management committed to prioritize this modification in early 2016.
- In the previous reporting period, the Committee recommended the installation of clear glass in the door of the human resources office to replace the existing frosted glass door so that workers entering or exiting the office can see one another and avoid collision or injury. At the time the report was published, management had committed to prioritize this modification in early 2016.
- Management has failed to address a possible asbestos risk identified in the former outdoor cafeteria, located in the front of the factory adjacent to the parking lot. The WRC has recommended in the past two reporting periods that this risk be eliminated. Management has installed a chain with a warning sign to discourage workers from



entering. While the structure remains accessible, the WRC did not observe any workers eating in the structure during this reporting period. Management has provided the WRC with documentation showing that the company has reviewed bids and contracted to remove this structure in the first quarter of 2016. The WRC continues to recommend that AP prioritize this improvement.

- AP management has taken some remedial action but has not fully addressed a potential trip hazard that was reported in the past two reporting periods, a concrete structure at the entrance to the outdoor cafeteria. Factory management reports that it agrees that this structure should be removed or altered, but that the structure is not on its land and so it cannot act without permission. Factory management reports that it has repeatedly requested such permission, but not yet received a favorable response. In 2014, the structure was painted with reflective paint to make it more visible, decreasing but not eliminating the risk. The WRC continues to recommend that AP press the owners of the building to approve removal of the trip hazard.
- In May 2015, several workers in the cutting department complained that the ambient temperature in the cutting department was much higher than the temperature in other areas of the factory due to the lack of fans and the low ceiling in that department. On August 21, 2015, the WRC observed that the Maintenance Supervisor conducted a temperature reading and found that the ambient temperatures in the sewing modules and the cutting department varied only by .2 degrees Fahrenheit. However, when the temperature of the air above both areas was measured, the WRC observed that the temperature of the cutting department was nearly 6 degrees higher. The WRC recommends that the factory install ceiling fans or place industrial size floor fans to increase air circulation in this department. Management has committed to installing ceiling fans in the cutting department in 2016.

In addition, the WRC recommends that the factory prevent any future lapse in holding meetings of the Health and Safety Committee and hold such meetings with the frequency required by Dominican law.

## **E. Non-Discrimination**

### *Code Requirements:*

*No person shall be subjected to any discrimination in employment, including hiring, salary, benefits, advancement, discipline, termination or retirement, on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.*

### *Findings:*

The WRC found no evidence of discrimination in hiring, promotion and treatment in the workplace. Workers and union representatives report that there is no discrimination on the

basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.<sup>21</sup>

The WRC closely monitored the hiring process of the 22 employees who were offered employment at AP during the past reporting period and found no evidence of discrimination. The WRC also closely monitored the process by which 25 employees were terminated or were dismissed due to reductions in personnel and found no evidence of discrimination.

The WRC commends the factory on the transparency measures adopted to ensure that there is no discrimination in the hiring process. This has included participation of union representatives and WRC oversight throughout the evaluation, interview, and selection processes.

## **F. Harassment and Abuse**

### *Code Requirements:*

*Every employee shall be treated with dignity and respect. No employee shall be subjected to any physical, sexual, psychological, or verbal harassment or abuse. The factory will not use or tolerate any form of corporal punishment.*

### *Findings:*

The WRC investigated two separate worker complaints alleging verbal harassment during the current reporting period. The WRC conducted interviews with the affected parties and witnesses to the incidents and reviewed related documents. Each of these incidents, along with the company's response, is described below:

- In January 2015, several employees reported to the WRC that a co-worker was verbally abusive to them. Factory management responded promptly and appropriately to this case, issuing the worker a written warning.
- In May 2015, the WRC received a complaint from a machine operator who claimed that her supervisor made disparaging comments towards her because her movement was limited due to her pregnancy, saying that she was “getting in the way.” The worker reported the incident to the human resources department and the factory took disciplinary action by issuing the supervisor a written warning. The WRC determined that, while the comment made by the supervisor to the pregnant worker was not appropriate, it did not constitute harassment and that the factory took appropriate disciplinary action.

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<sup>21</sup> Compliance with the factory's obligation to not engage in gender discrimination is discussed below in the section concerning women's rights.

## **G. Collective Bargaining and Freedom of Association**

### *Code Requirements:*

*The factory shall recognize and respect the rights of employees to freedom of association (FOA) and collective bargaining. No employee shall be subjected to harassment, intimidation, or retaliation in their efforts to freely associate or bargain collectively. The factory shall not cooperate with any effort by governmental agencies or other organizations to use the power of the State to prevent employees from organizing a union.*

*Consistent with Dominican law, the factory shall recognize the union of the employees' choice as their representative for purposes of collective bargaining. In addition, the factory must maintain an open attitude toward the unionization of the factory and its employees' participation in union activities and a positive approach towards dealing with any union that employees choose voluntarily to form or join. The factory must communicate clearly to employees that its management will negotiate in good faith with any duly constituted union. If a union is not present in the factory, management must enter into a neutrality and access agreement if a union or union federation so requests. If a union is present in the factory, the factory must provide free access to the union's representatives to carry out their representational functions, without undue restriction.*

*If a union is present in the factory, Knights Apparel, as the primary buyer, must participate in the collective bargaining process along with factory management.*

### *Findings:*

The WRC found AP to be in full compliance with the factory standard on freedom of association.

### Union Background

SITRALPRO, the union of Alta Gracia workers, was legally registered with the Secretary of Labor in June 2010 and currently represents a majority of AP workers. In April 2014, the union held a secret ballot election in which workers elected 12 of their coworkers to serve on the Executive Committee. The election was held without any management interference and the union was provided with a meeting space at the factory in order to hold the election.

### Labor-Management Dialogue and Negotiations

The WRC confirmed during the current reporting period that factory management continues to meet regularly with union representatives. This includes weekly meetings to discuss production issues and biweekly meetings to discuss any other issues raised by either party. The union has an office space inside the factory and reports that it is able to carry out representational functions without interference from management. The two parties have established a good working relationship and the union plays a central role in the day-to-day operation of the factory, including participation in production meetings, hiring decisions, the

health and safety committee, planning and implementation of the factory's educational programs, and disciplinary procedures.

In 2013, AP and SITRALPRO signed a collective bargaining agreement for a period of two years, expiring on July 18, 2015. This contract contained exemplary wages and benefits, including annual salary increases, production bonuses, and commitments to fund union-sponsored cultural events. The WRC verified that all clauses of the contract have been honored.

The union and AP met in person for two formal bargaining sessions to negotiate the terms of a second contract on May 21, 2015 and July 8, 2015. During these two sessions, the union and the factory reached a tentative agreement on both economic and non-economic benefits. While the contract has not been signed, AP and the union have reached a tentative agreement on nearly all of the proposed language changes of a new contract. The WRC anticipates that the contract will be signed in the near future.

The Dominican Labor Code states that where a collective bargaining agreement has expired and a new contract has not yet been signed, the conditions of the prior contract will stay in effect.<sup>22</sup> AP has verbally committed to continue to honor the prior contract until the new contract is signed.

In the previous reporting period, factory management verbally agreed to collaborate with the union to develop a protocol for dealing with disciplinary issues and to allow union representatives a determined period of time during which they may dispute any written or verbal warnings, suspensions, or terminations. Continued progress is pending a written proposal from the union to be submitted to management.

#### Joint Labor-Management Initiatives

The WRC notes that collaboration continues between the union and management on worker education programs offered during and after working hours. The workshops offered during the current monitoring period include trainings on leadership, personal finance, proper use of tools, sewing techniques, computer skills, and worker rights.

In addition, in December 2014, the WRC collaborated with the union and factory management to develop and implement a weeklong workshop series on productivity and motivation. Factory management approved paid leave during working hours for 192 workers to participate in this workshop.<sup>23</sup> In the workshops, which were facilitated by WRC staff, workers had the opportunity to review the history of the factory and explore what is necessary to make a factory like AP successful in a number of key areas, including the production process, systems of organization, storage of materials, modular designs, and the condition of machinery and equipment in the plant. Trainers facilitated activities designed to

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<sup>22</sup> Dominican Labor Code, Article 115.

<sup>23</sup> This included a number of temporary employees, who were no longer employed at the close of the reporting period, in addition to the factory's permanent employees.

help workers understand the rationale behind their production targets, strategies for effective teamwork, and the relationship between their work and the ongoing health of the factory.

Workshop participants were also given the opportunity to brainstorm specific suggestions on how to improve efficiency and quality in the plant. WRC representatives compiled these observations and suggestions and presented this information to AP management. After considering worker suggestions, management identified possible improvements that would be considered for implementation. On March 4, 2015, representatives of management informed workers that the suggestions were considered and explained in detail new practices that would be implemented at the factory as a result of the ideas that emerged from the workshop. These included improved illumination in the plant and the implementation of a worker-driven quality control system.

AP continues to demonstrate exemplary compliance with the freedom of association standard and the benefits contained within the collective bargaining agreement.

## **H. Women's Rights**

### *Code Requirements:*

- a. Female employees will receive equal remuneration, including benefits, equal treatment, equal evaluation of the quality of their work, and equal opportunity to fill all positions open to male employees.*
- b. Pregnancy tests will not be a condition of employment, nor will they be demanded of employees.*
- c. Employees who take maternity leave will not face dismissal nor threat of dismissal, loss of seniority or deduction of wages, and will be able to return to their former employment at the same rate of pay and benefits.*
- d. Employees will not be forced or pressured to use contraception.*
- e. Employees will not be exposed to hazards, including glues and solvents that may endanger their safety, including their reproductive health.*
- f. The factory shall provide appropriate services and accommodation to women employees in connection with pregnancy.*

### *Findings:*

The WRC has verified that AP is in compliance with the code standard on women's rights.

Consistent with the findings in its last five comprehensive monitoring reports, the WRC found that women had the same opportunities as their male counterparts with regards to hiring, promotion, pay, and benefits. Women continue to make up nearly two-thirds of the workforce. With the exception of the cutting department (one of the two smallest departments

in the factory, with only seven employees), women are employed in every department of the factory. The hiring protocol, which is closely monitored by the WRC, continues to ensure non-discrimination of female and pregnant applicants.

In addition, the factory fully respects pregnant workers' rights, including the provision of appropriate accommodations for workers during their pregnancies and 12 weeks of paid maternity leave at the living wage rate. Workers returning from maternity leave were able to return to their former positions with the same salary and benefits. Over the course of this monitoring period, three employees took paid maternity leave, without incident.

The WRC received one complaint from a worker regarding a possible violation of her maternity rights during the current reporting period. The worker was terminated on June 12, 2015 as part of economic layoffs. On the day after she was terminated, the worker learned that she was pregnant. The worker returned to speak with factory management the following business day to request reinstatement, but was denied. Dominican law states that terminations of pregnant employees are prohibited.<sup>24</sup> However, the law also states that a pregnant employee must inform her employer of the pregnancy and provide an estimated date of delivery.<sup>25</sup> The law does not specify what course an employer should take if a pregnant employee is terminated and subsequently learns that she was pregnant at the time of her dismissal.

The worker filed a complaint with the Dominican Ministry of Labor on June 15, 2015. The following day, the Ministry visited the factory to investigate the worker's complaint. While the Ministry subsequently reported on the facts surrounding the case, it did not present a clear finding as to whether or not the worker was entitled to reinstatement. The worker then filed a claim with the Dominican judicial system on July 1, 2015. On November 10, the court decided in favor of the company, stating that the evidence showed that the company did not know the worker was pregnant at the time of her dismissal.

Although the WRC recognizes that the law is silent on the issue of dismissal of a pregnant worker when the worker has not informed the factory of her pregnancy, the WRC addressed the issue with factory management in June 2015. While the factory has not violated Dominican labor law or university codes of conduct, the WRC recommended that, as a matter of best practices,<sup>26</sup> AP voluntarily reinstate the worker to her former position. Factory management declined to do so.

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<sup>24</sup> Dominican Labor Code, Article 232.

<sup>25</sup> Ibid, Article 233.

<sup>26</sup> Article 8 of the ILO Convention number 183 on Maternity Protection states that an employer should not terminate the employment of a woman during her pregnancy.