



Behind the brand names



**Working conditions and labour rights
in export processing zones**

INTERNATIONAL CONFEDERATION OF FREE TRADE UNIONS (ICFTU)

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Working conditions and labour rights in export processing zones

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Contents

Working conditions and labour rights

Introduction	4
What is a zone?	4
Why are zones established?	5
Are EPZs effective?	6
Zones and job creation	6
Labour rights	8
Exemptions from labour laws	8
National legislation not enforced	9
Trade unions denied entry to EPZs	9
Dismissals for union activity	10
Firms shut up shop	10
Violent repression of trade unions	11
Working conditions	11
Gender discrimination	11
Excessive working hours	12
Health and safety	12
EPZs and social dialogue	13
Conclusion	14

Case studies

Bangladesh: Trade unions banned from EPZs	18
China: The global factory	21
Dominican Republic: Jobs at risk	26
Haiti: Union busting by Grupo M	30
Honduras: Union break through in the <i>maquilas</i>	34
Madagascar: The lure of cheap labour	37
Mauritius: Textile industry at a crossroads	41
Mexico: Clean up your computer	45
Sri Lanka: Unions heavily discouraged	50

I. Introduction

This report looks at the sharp end of globalisation – the working lives of millions of people who work in the world's export processing zones. Since the 1970s the zones, also known as free trade zones or *maquilas*, have become important instruments of economic policy. Governments seek to attract investors with financial incentives and a liberal regulatory environment, in return for employment creation and export earnings.

There has been a rapid growth in the number of zones over the last three decades, from a handful in 1970 to over 3000 in 2002. At the same time, employment in the zones has leaped from a few thousand in 1970 to just under 42 million in 2004. EPZs are often held up as a way for countries to develop their economies, generate employment, and obtain vital export earnings. But serious questions remain as to the real benefits of EPZs to development. By its very nature, EPZ investment is precarious, and likely to leave the country at a moment's notice if more favourable conditions for production, including lower wage, are on offer elsewhere.

This report focuses on the experiences of workers in the zones, mainly young women, who are often employed in low skill repetitive work in enterprises with poor labour standards and harsh working conditions. It includes a series of case studies, commissioned from journalists, who investigated employment practices and labour rights in export processing zones in Bangladesh, the Dominican Republic, Haiti, Honduras, Madagascar, Mauritius, and Sri Lanka. We also have added to our report two case studies from the aid agency CAFOD which investigated labour practices in the electronics industry in China and Mexico in 2003. All the case studies show how workers in the zones, struggling to set up trade unions to improve wages and working conditions, face hostility and resistance from governments and employers.

“Globalisation has the potential to bring prosperity to people across the world, but today's crude free market globalisation is pushing standards down and leading to massive exploitation. Governments ignore this at their peril.”

Guy Ryder, General Secretary, ICFTU

“In no country has it been shown that free trade zones are a real path to development. Investment comes and goes, usually leaving little behind once it has gone.”

Zwelinzima Vavi, General Secretary, COSATU (Congress of South African Trade Unions)

“We also have a factory in China which is growing fast. At the moment we find it easier to work with young Filipina women... But the Chinese learn very fast....In future we are likely to base our main plant in China and just keep a small one here.”

Factory engineer, Philippine EPZ, August 2003

“In the Dominican Republic we cannot call for the zones to leave – or all the jobs will go with them. But we can certainly call for improvements in working conditions.”

Daysi Montero D'Oleo, General Secretary of UNFETRAD, the National Union of Women Workers

II. What is a zone?

Export processing zones (EPZs) are not new. Barcelona in Spain has had a successful free trade zone for nearly a hundred years. The Shannon Free Zone, on the west coast of Ireland, has been in operation since 1958 and generates exports of €2.5 billion each year. (1) It was not until the 1970s, however, that, more and more countries set up zones in the hope of attracting foreign investment and increasing employment.

Today, there are many types of export processing zones, including special economic zones, free trade zones, *maquiladoras*, bonded warehouses, science parks and free ports. The International

Labour Organisation (ILO) defines EPZs as “industrial zones with special incentives set up to attract foreign investors, in which imported materials undergo some degree of processing before being re-exported.” (2) Many EPZs have evolved from fenced in spaces, such as ports and warehouses specialising in manufacturing for export, to single-factory or single-industry zones, such as the leather zone in Turkey. In some cases, companies operating anywhere within a country can be eligible for zone status. Mauritius and Madagascar allow companies wherever they are located on their islands to benefit from the conditions that apply in the zones.

EPZs have also developed from initial assembly and processing work to a wide range of businesses, including high tech industries, tourist resorts and financial centres. Most activity is still low-tech and low-skill, with production concentrated in textiles, clothing and electronics.

Firms operating in the zones can be domestic, foreign or jointly-owned. Foreign direct investment is usually prominent. Zones are either publicly or privately-owned and managed. The private development of zones, often by foreign businesses, is becoming more common.

In 2002 and early 2003, the ILO conducted a survey of export processing zones (3). The results showed the number of EPZs and the number of countries hosting them have expanded rapidly over the last three decades. More than 40 million workers worldwide are employed in the zones. Three-quarters of the EPZ workforce are employed in China, which has some 30 million workers in over 2,000 different zones. (4)

Table 1: Estimates of the development of export processing zones

	1975	1986	1995	1997	2002
No. of countries with EPZs	25	47	73	93	116
No. of EPZs	79	176	500	845	3000
Employment (millions)	n.a	n.a	n.a	22.5	43
– of which China	n.a	n.a	n.a	18	30
– other countries for which figures available	0.8	1.9	n.a.	4.5	13
Total countries for which data were available (108)					

Source: ILO. 2002 (5)

Current ILO figures show that the number of zones has increased again from 3,000 in 2002 to 5,174 zones in 2004. Employment has fallen over the same period from 43 million to just under 42 million (6). Central America and particularly Mexico have suffered large employment losses over the last year, though the tide is now turning. The data also shows the vast differences between countries in terms of numbers of zones, number of firms operating in the zones and totals employed. A large number of zones may result in relatively little employment as is the case in the Caribbean.

III. Why are zones established?

Countries set up EPZs in the hope of attracting investment, creating employment and generating foreign exchange earnings by promoting non-traditional exports. Countries also hope that foreign direct investment will promote the transfer of technologies and skills (“backward linkages”) to industries outside the zones.

Firms are offered a range of financial incentives to invest in the zones. Research for the World Bank (7) showed some common features:

- Duty-free imports of raw and intermediate materials and capital goods for export production.
- Streamlining of government red tape, allowing “one-stop” shopping for permits and investment applications.
- Flexibility with labour laws, exemptions from national legislation in some zones.
- Generous, long-term tax concessions, such as waivers of value added tax.
- Above average communications and infrastructure (compared to elsewhere in the host country). Sometimes utility and rental subsidies.

IV. Are EPZs effective?

For many countries, the performance of the zones has been patchy, and many find that in practice zones fall short of their goals. The benefits are often limited for the following reasons:

- Most production is low-tech and low-skill, limiting the transfer of technologies and skill between zones and domestic firms.
- Net foreign exchange earnings are often low and may not cover a country’s investment in the zone or concessions granted to investors.
- Investments may be short term. Foreign companies setting up in the zones can often relocate with relative ease, particularly when labour legislation is weak or not enforced.
- Firms often import materials and source little from local markets.
- Inadequate social and environmental safeguards lead to environmental pollution, poor health and safety, and labour rights’ abuses.

The very concept of export processing zones, where products often imported duty-free from outside the country are then assembled for re-export, means that they have limited impact on the host country. According to a World Bank report published in 1999, customs duties represent 35 per cent of the revenues of African countries, and the exemption of companies in the EPZs therefore constitutes a considerable loss. Furthermore, since the companies in the zones operate independently, the transfer of technology or skills to local companies is difficult. The problems are aggravated by the fact that most governments do not have the strategies nor the agencies required to promote links between local and international companies. Some countries have therefore invested heavily in setting up, maintaining and promoting EPZs, but are unable to draw major benefits.

Export-led growth may be more likely to succeed when it forms part of an overall economic strategy to promote private sector investment-led growth. Such a strategy would include monetary and fiscal policies, investments in infrastructure, technology and human capital, and the promotion of linkages to the local economy.

V. Zones and job creation

As Table 1 shows, employment in export processing zones has increased sharply in some countries in the last few decades. China apart, the ILO reports that total employment in countries’ zones was 4.5 million in 1997, a figure which had leaped to at least 13 million by the end of 2002 (8). Costa Rica saw an increase in EPZ jobs from 7,000 in 1990 to 34,000 ten years later (9).

Some countries have witnessed massive growth in terms of investment and employment creation. In particular, zones have created a route for young women to enter the formal economy, creating jobs with higher wages than in traditional sectors such as agriculture and domestic service.

However, it is difficult to estimate what proportion of these jobs represent net increases in employ-

ment. There is very little hard data on the quality, cost and duration of jobs in the zones, and information on the impact of the zones on employment opportunities outside is rarely available. Claims for the employment potential of zones should be assessed with the following trends in mind:

- Some jobs are reclassified as EPZ employment, for instance, when an existing company applies for new status in an EPZ in order to benefit from financial concessions operating in the zone.
- Widespread job losses have been documented in many zones. Recent political instability in Madagascar led to the temporary lay off of 70 per cent of workers in the EPZs. (10) In Mexico, employment in the *maquiladoras* fell by 200,000 from 2000 to 2002, partly as a result of competition from China, although Mexico is now experiencing a new surge in export growth and the *maquiladoras* are rehiring (11).
- There is a high turnover of workers in the zones, with people rarely staying in their jobs for more than five years.

VI. Labour rights

Some export processing zones are well-managed industrial zones where responsible firms offer good working conditions and higher wages than elsewhere in the economy. Among these enterprises will be many who see the social and commercial value of improving performance and productivity through good human resource management and respect for employment and labour rights.

However, most zones also have a different class of enterprise, one which builds its success on the exploitation of a cheap and compliant workforce. These firms are often found in industrial sectors, like textiles and electronics, with intense competition, demanding production requirements and short product life cycles. (12) They are located in countries with loose labour markets and governments which are ambivalent or hostile towards trade unions. In this type of enterprise, employers often pay scant regard to labour laws, employment regulations and health and safety at work. Restrictions on the right to join a trade union, bans on collective bargaining and the right to strike, low salaries and compulsory overtime are widespread. The ILO Committee of Experts on the Application of Conventions and Recommendations, which monitors the application of international labour standards in the member countries, reports that since 1998 there have been numerous “inconsistencies” between the obligations prescribed in ILO Conventions or national legislation and practices in EPZs. They have urged national governments to develop strategies for foreign-led investment which respect the ILO’s agenda for decent work, notably through improvements in working conditions and productivity.

Low labour costs and the flexibility of workers are key reasons for foreign firms to invest in EPZs. In addition to financial incentives, such as temporary tax breaks and duty free imports of raw materials, governments also seek to attract foreign investors to EPZs by offering them a loose regulatory framework for social and employment rights. In many countries this framework may simply mirror legislation and practice in the rest of the economy. In others, labour standards are lower and employment rights weaker in the EPZs. The reasons for this are:

- *Exemptions from labour laws:* some governments, in their efforts to attract investors, exclude EPZs from the scope of application of national legislation.
- *National legislation not enforced:* governments frequently do not enforce national laws in the zones. Labour inspections are often infrequent and/or the judicial system under-resourced.
- *Trade unions denied entry to EPZs:* in addition, unions encounter huge obstacles in gaining entry to many zones so attempts to organise are restricted.

The result is widespread violations of workers' rights, particularly freedom of association, collective bargaining and the right to strike. Because unions are largely absent from the zones, workers are unrepresented, working conditions often harsh, and the exploitation of the labour force allowed to go unchecked.

Below we explore the status of labour legislation in the zones, with examples from different countries of the problems trade unions encounter, particularly dismissals for union activity, firms shutting up shop, and violent repression of trade unions.

Exemptions from labour laws

In most EPZs labour laws are the same as those that apply elsewhere in the country, although as described in the next section, they are often not enforced. However, in a number of countries, firms investing in EPZs are exempt from employment legislation. In most of these cases the countries concerned have adopted the core labour standards of the International Labour Organisation (ILO), including Convention No. 87 on Freedom of Association and Protection of the Right to Organise, and Convention No. 98 on the Right to Organise and Collective Bargaining. Denying workers in the zones the right to belong to and be represented by trade unions is a flagrant violation of these international labour standards.

Bangladesh's six export processing zones are currently exempt from the major laws establishing freedom of association and the right to bargain collectively, so no professional or industry-based unions are allowed. However, faced with the threat of losing trade preferences for its exports to the US and Canadian markets, the government agreed to allow trade unions into the zones from January 1 2004. Pressure from a group of 22 South Korean companies based in Chittagong EPZ caused the government to reverse that decision. They filed a petition with the High Court in December 2003 challenging the proposed changes in status. Legislation authorising the creation of trade unions in the zones was finally passed in July 2004, but the legislation was considerably restricted. Trade unions will not be allowed in the zones until November 2006, and after that there will be limitations on freedom of association.

Many employers in Bangladesh's zones take advantage of the absence of trade unions to flout international labour standards, in areas such as unpaid overtime, child labour, minimum wage regulations, and health and safety. (13)

Until 2003, workers in Kenya's EPZs were banned from joining trade unions. Attempts by unions to organise workers were severely repressed. After a series of bitter strikes in the zones in 2003, the government agreed to allow zone workers the right to join unions. At least 15,000 workers in Kenya's textile sector, most of whom were women, had gone on strike with a long list of grievances, including pay below the minimum wage, no medical schemes, no right to sick leave, trade union repression, excessive working hours, sexual harassment, and unpaid overtime. One person was killed and many injured after anti-riot police attacked strikers with clubs and tear gas. Following the government's U-turn, the Tailors and Textile Workers' Union (TTWU) began organising workers and negotiated a collective bargaining agreement for more than 10,000 employees in nine factories in the Athi River EPZ, near Nairobi.

In Togo, the law provides companies in EPZs with exemptions from some provisions of the Labour Code, notably the regulations on hiring and firing. Employees of EPZ companies do not enjoy the same protection against anti-union discrimination as other workers. In Panama, all labour disputes in the EPZs are subject to compulsory arbitration, and strikes are only deemed "legal" after 36 working days of conciliation are exhausted.

To circumvent the ILO's core labour standards, some governments have classified companies operating in the zones as producers of "essential services." The workforce are therefore prohibited from taking industrial action. In Pakistan, for example, the Essential Services Maintenance Act prohibits

workers in EPZs from forming or joining unions, bargaining collectively and striking.

National legislation not enforced

More typically, the weak enforcement of social and employment laws allows firms to operate with lower standards. Governments may face difficulties in ensuring that legislation is applied because their labour inspectorates are too weak, or because their judicial systems lack the staff and resources to deal with cases. Governments may turn a blind eye to illegal practices or even encourage non-enforcement in the hope of encouraging firms to set up or remain in the zones.

In Mexico, thousands of Mexican workers work in the country's 4,000 *maquiladoras* (processing plants). Many have been forced to accept temporary and unwritten contracts, affecting their right to organise. Many *maquiladoras* call on the services of employment agencies that draw up temporary contracts to suit the needs of the clients and have no assets to meet their obligations as employers in case of strikes. The Mexican government allows the *maquiladoras* to operate behind closed doors and protects them from collective action by workers, although it claims that it is working to eliminate discriminatory practices in the zones.

Since the North American Free Trade Agreement (NAFTA) came into force, some 3,000 assembly-for-export companies have set up business in Tijuana. According to a study by a Mexican NGO, over 1,300,000 workers are paid less than six dollars a day to work in often deplorable conditions and only 40 per cent of them stay more than three months in their job. Unpaid overtime, sexual harassment, discrimination in employment, an absence of health and safety precautions and unfair dismissals are the daily lot of many workers in the zones.

Enforcement of national laws is also poor elsewhere in the region. As our case study shows, the government of the Dominican Republic makes no real effort to ensure that labour legislation is enforced. Employers refuse to recognise trade unions. In the Santiago zone, employers pay storm troops to quell attempts to set up trade unions, and blacklists of union activists are circulated among firms.

In the Philippines, labour laws are not properly enforced in the 89 EPZs, which, combined with many legal restrictions, deprives most workers of their trade union rights. The Filipino Government states that people working in the zones are free to organise and that penalties imposed on anti-union employers can include a complete ban on a company operating in the zones. However, in practice, union activity in the zones is strongly discouraged. The officials who govern the zones try to block organising by maintaining a "union free, strike free" policy, and claim to have the right to carry out their own labour inspections. The zones are known for low wages, punishing working hours, breakneck production rates and intimidation of workers. Overtime is the norm and the factory gates are often locked to prevent workers from leaving before their tasks are finished or their quotas filled. (14)

National labour laws apply in Mauritius' export processing zones but there are also specific labour laws that condone longer working hours – 45 hours a week plus ten hours' compulsory overtime, compared to 35 to 48 hours in companies without EPZ status.

Trade unions denied entry to EPZs

Trade unions face great practical difficulties when trying to gain access to zones, particularly when zones are physical enclaves. A Filipino trade unionist, Enrico, told the ICFTU (15) of the difficulties he has encountered in his attempts to organise the Cavite zone, where only 39 of the 200 companies are unionised:

"Meetings with workers have to be organised outside the company premises, on their way to work, or even in their homes. Sometimes this can prove very difficult, with employers bribing politicians, police officers and other local officials in order to get them to discourage workers from contacting trade unions.

Most workers are even scared of answering our questions; they fear for their jobs." He went on to explain that, "The companies located inside the zone are surrounded by barbed wire and security guards. It is impossible to gain access to company premises without being authorised by management."

In several countries, companies operating in the zones employ private security guards, sometimes armed, to prevent trade union officials from entering production units. In India, although the right to join trade unions and to collective bargaining exists in law, union activity is very difficult because entry to the zones is restricted to workers who are bussed in by their employers.

Dismissals for union activity

Employers regularly use the threat of dismissal to control the workforce. Few workers in the zones have long-term employment contracts. Short-term contracts are used for flexible hiring and firing and for avoiding costs such as maternity and redundancy pay. As the CAFOD case study on Mexico in this report shows, workers live in a constant climate of insecurity and fear because they are employed on consecutive short-term contracts of between 28 days and three months. In Egypt, trade unions report that most workers in the Tenth of Ramadan City zone are forced to sign letters of resignation before beginning employment so that they can be fired at the employers' convenience.

In Vietnam, only an estimated ten per cent of workers have long-term contracts. The remainder are on contracts of between three months and one year. This enables employers to avoid the legal requirement to set up a union in enterprises with ten employees or more.

Short-term contracts also enable employers to wield the threat of dismissal when the workforce engages in union activity. Every year the ICFTU receives well-documented information from many countries where trade union members and representatives have been dismissed because they have manifested their support for a trade union. Employers often disguise the real reason for the workers' dismissals by quoting cancellation of orders or a dip in production.

Dismissals are routinely used by employers in Central America's *maquiladoras* to get rid of workers who attempt to form unions. When workers at the Tarrant Apparel jeans factory in Ajalpan, Mexico, tried to form an independent union in 2003, they faced harassment and dismissals. In June 2003, 800 of the factory's 1,300 workers went on strike in protest at bad treatment and management's failure to pay them their profit-sharing bonuses. The workers decided to form an independent union, SUITTAR, and in just two months, 70 per cent of the workers had joined. A wave of dismissals followed, with about 150 workers losing their jobs in a two-week period, and a further 150 sacked by October. The Workers' Rights Consortium (WRC), a US-based not-for-profit organisation, released a report in September based on interviews with the Tarrant workers, clearly indicating that they had been illegally dismissed and that their right to freedom of association was being violated.

In some EPZs, the majority of the workforce are migrant workers from other countries. In the country illegally, or allowed entry on special conditions, they are often more likely than workers from the host country to be exposed to abuse at work. In the United Arab Emirates, the Ministry of Labour estimates that 85 per cent of the workforce are migrants, most of whom come from South Asia. Usually hired for three to five years, they often work in very harsh conditions and risk expulsion if they try to organise trade unions.

Firms shut up shop

In its most extreme form, dismissal is used to sack an entire workforce when unions approach success in organising a factory. It is not unusual for employers, when presented with a request for union recognition, to state that the factory is closing and dismiss the workforce, only to restart production in the same country but under a different name.

A recent example comes from Tainan enterprises in El Salvador, a company making clothes for

major US labels. After the union won a long and protracted battle for recognition, the company began suspending and dismissing workers, claiming a lack of orders. The company quickly ceased production in El Salvador, while its plants in China, Cambodia and Indonesia were at full production. The union produced evidence that the company continued receiving orders but was subcontracting them in order to circumvent its unionised staff. Following an international campaign, Tainan was forced to reopen its El Salvador plant in November 2002 and negotiate terms with the union.

In another case, Sara Lee Corporation, a US-based global manufacturer of branded products, announced the closure of factories in Ciudad Frontera and Allende in Coahuila, Mexico, in June 2004. The factories were, reportedly, to be converted into distribution centres employing only 50 workers, leaving some 2,290 unemployed. Sara Lee claimed that the factories were being closed due to “changing production requirements and preparedness for apparel trade restrictions” that are scheduled to end on 1 Jan 2005. However, workers from the factories reported that they were closing because workers there were openly organising to improve their working conditions. (16)

Violent repression of trade unions

Some workers who reveal that they have signed up to the union risk serious reprisals. Intimidation, assaults and death threats are not uncommon.

Sri Lankan EPZs are managed by a government body, the Board of Investment (BOI), as our case study shows. The BOI sets wages and working conditions, and has discouraged unions from operating in the zones. A long-running dispute at the Jaqalanka Ltd factory in the Katunayake Free Trade Zone in 2003 included intimidation of workers by the firm’s management in the run up to a union election. There were death threats against union leaders in the same period.

Workers from a factory run by Grupo M in the Santiago EPZ in the Dominican Republic told a global union delegation visiting the country in 2003, how workers had been bribed and intimidated into leaving the union. The union’s General Secretary, Francisco Alvarez, was attacked with a chair and a hammer while at work, and was taken away on a stretcher. Union member, Zacarias Gonzales, was savagely beaten at work by two men, armed with a machete and a metal pipe. He was sent to prison for ten days, and shared a cell with the two men who attacked him. On release he was given 21 days sick leave. When he returned to work, he was offered money to leave the union. When he refused, he was fired and blacklisted.

VII. Working conditions

Gender discrimination

The majority of workers in the zones are women. Employers in the EPZs are more likely to favour women for routine, repetitive work in the low-tech and labour-intensive industries like garments and electronics. Some consider women more compliant, disciplined and hard-working than their male counterparts. It has been argued that some zones, in countries like Thailand and the Philippines, have been successful in offering women a route into formal employment, where wages are often higher than in traditional jobs in the informal economy. However, female workers often face a number of barriers at work, including discrimination in hiring, wages and benefits, and sexual harassment.

Attitudes by some employers towards women are illustrated by the IT manufacturer Fujitsu (FCPP), a global leader in hard-disk manufacturing. Fujitsu employs 3,000 workers in its plant in the Laguna export processing zone in the Philippines. Eighty per cent of the workforce is female, “because they are better than men,” says Masaaki Nagamine, FCCP Chairman, adding that they barely cost one fifth as much as a skilled worker in Japan. “Better” all too often is synonymous with “compliant” as far as EPZ employers are concerned. (17)

The principle of equal pay for work of equal value is contained in one of the ILO's core labour standards and is a convention that many governments have signed up to. However, female workers in zones are often paid less than men, and have less access to training and development.

Cases of women workers in the zones being forced to take pregnancy tests are well-documented. Pregnancy tests have been imposed on new recruits and established workers in the *maquilas* of Central America. Although Mexican legislation now prohibits discrimination on the grounds of pregnancy, the practice continues. Our case study from Mexico contains testimony from a young woman, working in a computer assembly plant in Guadalajara, who describes being forced to submit to an intimate medical examination and then made to do a pregnancy test.

In the Philippines, the Trade Union Congress of the Philippines reports that workers have been made to resign four months into pregnancy and are not allowed to resume work after birth. (18)

Some trade unions report that women are less likely to join trade unions than men. In the Santacruz Electronics Export Processing Zone (SEEPZ) near Bombay, India, 90 per cent of the workforce is female. Working conditions are poor and overtime compulsory. The women are generally too young or too frightened to form unions.

Excessive working hours

Low pay and tight delivery schedules encourage employers to underpay workers and to force them to work extremely long hours. Basic pay in the zones is often the minimum wage, or wages that are higher than those paid by local enterprises. Some EPZ firms in China report paying two or three times more than local state-run enterprises, though wages are still very low. (19) However, overtime is often a major area of contention as it is often compulsory and unpaid, or paid at the basic rate. The absence of unions and labour inspectorates means that such practices largely go unchecked.

Foreign employers in Lesotho's industrial zones – mainly textile groups from South Africa, Hong Kong and Taiwan – pay wages below the statutory minimum, refuse to pay sickness benefits and make unilateral deductions from their employees' pay packets. Although there is legislation to prevent this from happening, the authorities are reported to turn a blind eye to these infringements.

As our case study from Madagascar shows, during peak production times, a typical working day in the EPZ can be 15 hours. Production quotas are impossible to meet within normal working hours, and overtime is only paid at the lower basic rate. Workers in the zones can have their pay docked if they refuse to work overtime or make too many mistakes.

Workers in the electronics' factories around Dongguan, China, are expected to work excessively long hours and wages are below the legal minimum. The study in this report includes an example from a Taiwanese company where, during peak season, assembly workers worked an average of 100 to 120 hours overtime a month – far in excess of the legal maximum of 36 hours a month. Average wages are well below the minimum of USD 54 a month.

Health and safety

The weak enforcement of labour laws and the lack of labour inspections can often mean that health and safety legislation is breached in the EPZs. Trade unions frequently report instances of a failure by firms to provide protective equipment, proper sanitary facilities, adequate ventilation and training on health hazards.

The lack of sanitary facilities and restrictions on their use are a cause of serious concern. Many firms restrict access to toilets to discourage time-wasting and disturbance of work patterns. The Philippines-based company AAA Inc, which produces baby clothes for the Little Betty, Sears Roebuck and JC Penney labels, allows its workers to go to the toilet once in every four hours of continuous work. (20)

Perhaps the most appalling breach of health and safety legislation in the zones is the practice by some employers of locking workers into the premises during working hours. The practice, stemming from paranoia about employee theft, has been the cause of numerous deaths in company fires. In Bangladesh, there are several fires each year in buildings packed with people who are often locked into the premises. (21)

Low wages and excessive working hours mean that many workers cannot get any proper rest nor afford decent food and medical care. A survey conducted last year by the Bangladesh Institute of Development Studies in the garment industry (22) found that one third of women had developed chronic illnesses, such as gastro-intestinal infections, urinary infections and anaemia, since starting work in the sector. A government investigation in Guatemalan EPZs found that eight of the ten firms examined were failing to comply with national standards on working conditions and to create a suitable working environment for their employees.

VIII. EPZs and social dialogue

Export processing zones are usually characterised by poor labour relations and a lack of social dialogue between employers and union representatives. Social dialogue has an important role in developing mechanisms for communication, consultation and negotiation for improving productivity and workplace conditions. However, there are limited examples of social dialogue in the zones.

At international level, the OECD and the ILO have developed instruments for the voluntary regulation of multinational behaviour. But as these tools are based on voluntary principles, they are not legally binding (see box). Framework agreements between multinationals and global union federations are becoming more widespread and, in some instances, are helping to improve employment practices in the zones.

Under increasing pressure from consumers to adopt ethical business practices, many multinationals have adopted codes of conduct which may include provisions on supply-chain labour standards. But many codes of conduct are not based on the ILO's core labour standards, and fail to provide for freedom of association. Implementation of the codes is usually patchy, with workers unaware of their existence, and the codes' provisions often breached. There are few examples of "credible" codes of conduct with standards incorporated into core business practices down the supply-chain.

At zone level, some authorities have included trade unions on their boards. Others have encouraged firms to establish labour-management committees, although, as the Sri Lankan case study demonstrates, the presence of these committees may be used to undermine trade unions. Where genuine social dialogue has taken place in firms, the result is less industrial unrest and labour turnover. (23)

Unions who have managed to organise workplaces in the zones, report that working conditions have been upgraded as a result of social dialogue or pressure on employers. Unions' achievements lie principally in raising wages, tackling compulsory overtime, and improving health and safety. Men and women at the Corazón Apparel factory in Honduras, as our case study shows, report how their hard-won collective agreement has led to improved working conditions in the factory. As union representative, José Santos put it, *"Now there is no more ill-treatment. We are treated like human beings, like proper workers."* In Mauritius' EPZs, with jobs under threat from the phasing out of textiles' quotas, unions are calling for the country's tradition of social dialogue to be renewed.

The international trade union movement, through solidarity campaigns, discussions with employers, and pressure on governments, has supported workers in many zones in their attempts to organise trade unions. Some have been successful, particularly where disputes concern a global brand. Collective agreements may be more likely to be wrung out of multinational enterprises, fearing consumer reaction to the glare of bad publicity generated by international campaigns.

IX Conclusion

The value of EPZs to their host nations, particularly in the long-term, is unclear. They are costly in terms of the infrastructure they require, use few local inputs, and provide little or no tax revenue for their host countries. Furthermore, there are other criteria for assessing the success of EPZs. They must be judged by the extent to which firms operating in the zones provide decent working conditions and show respect for trade unions. A recent UN report (16) shows that successful zones may be ones where governments pursue strategies for encouraging higher quality foreign investment and higher value products and services. Integral to this approach are social dialogue, upgrading skills, and improving working conditions.

An increasing number of governments and some employers recognise the dangers of “a race to the bottom” in terms of wages and labour standards. The threat to many countries’ clothing industry from the ending of textiles quotas from 2005 is prompting some manufacturers to examine how improved human resource management and better labour relations might improve productivity in the sector. In Bangladesh and the Philippines, where the garment industry will suffer heavy losses with the ending of quotas, a handful of employers working with trade unions already demonstrate the benefits of good industrial relations and respect for workers.

The following reports from Africa, Asia and the Americas examine the experiences of workers in the zones. They speak up bravely for decent work and respect for their rights. Their message should be heard and their struggle supported by trade unions, employers, consumers, and governments around the world.

WTO agreements and EPZs

Agreement on Textiles and Clothing

The MultiFiber Arrangement (MFA), also known as the MultiFiber Agreement, has had a considerable impact on export processing zones, and many jobs in EPZs may be lost when the agreement expires at the end of 2004.

The trade agreement, adopted in 1973 by the United States, Canada and the European Union, set quotas for the amount of textiles that other countries were allowed to import to the countries signatory to the agreement. The MFA will expire at the end of 2004 when a ten-year phase out programme governed by another agreement, the Agreement on Textiles and Clothing (ATC), comes to an end. From 2005, all WTO members will have unrestricted access to European, US and Canadian markets.

These agreements rested on a system of clothing export quotas. The quotas set limits on the amount of different categories of garments (sweaters, for example) and textiles that could be exported to the US, Canada and the EU. Quotas differed per country and per product and were often based on historic export levels. The quotas allocated to highly competitive exporters such as the Korean Republic and the Hong Kong Special Administration Region (China) tended to be restricted, while those allocated to less competitive exporters were often higher. The result was exporters prepared to move all over the world for available quotas, contributing to the creation of millions of jobs in countries that previously only had a very small clothing export base, or no base at all. Thus, in Sri Lanka, for example, the earnings from clothing exports went from US\$ 623 million in 1990 to over US\$ 2.7 billion in 2000, representing 50 per cent of the country's total exports.(25)

But there is now growing concern in the countries currently benefiting from high quotas about their chances of preserving investments in the clothing industry beyond 2005. Industry-watchers are making predictions for the future based on the early stages of the phase-out programme. The Philippines and Mauritius textiles industries have already lost out to China which, with virtually boundless production capacity and a very cheap and compliant labour force, is likely to do very well post-MFA. In some garment trades, China's share of US imports has risen from ten to 60 per cent in three years. The ICFTU, which has been monitoring the impact on industry and workers' rights in developing countries, is concerned that the phase-out of the quota system will have a negative impact on labour practices as firms look to invest in countries where labour costs are low and labour legislation weak.

It is clear that countries wishing to retain investments and jobs in the garment industry after 2005 will have to improve the competitiveness of the sector. Some are considering market and product diversification, others productivity improvements. The International Monetary Fund has a one billion dollar fund to help smaller countries adjust, although restrictive conditions and high interest rates may mean that few can afford it. Garment manufacturers and the ILO in Bangladesh are working on a three-year project to improve labour relations and job quality in an attempt to safeguard jobs in the sector post-MFA.

Agreement on export subsidies

The WTO Agreement on Subsidies and Countervailing Measures has also had an impact on the way EPZs operate. Since the agreement came into force in January 2003, many WTO member countries have no longer been able to provide some kinds of export subsidies. However, countries may, upon prior request, be granted exemptions until 2007, and least developed countries automatically qualify for exemption from the obligation to reduce subsidies laid down in the agreement.

The OECD Guidelines and the ILO Declaration: two valuable tools

There have been several attempts to draw up international guidelines to regulate the conduct of multinational enterprises and to define their relationship to host countries. The two most significant instruments are the **OECD Declaration on International Investment and Multilateral Enterprises**, and the **ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy**. These instruments are not legally enforceable but could, if correctly applied, resolve the main concerns about social and employment protection in export processing zones.

The **ILO Tripartite Declaration** is a non-binding international code agreed by governments, employers' and workers' organisations at the ILO in 1977. The Declaration concerns all the activities of multinationals. Several points are particularly important for the operation of multinationals in export processing zones:

- Paragraph 46 stipulates that where governments of host countries offer special incentives to attract foreign investment, these incentives should not include any limitations on workers' freedom of association or the right to organise and bargain collectively.
- Paragraph 33 states that the wages, benefits and working conditions offered by multinational enterprises should be no less favourable to the workers than those offered by comparable employers in the country concerned.
- Paragraph 37 underlines that multinationals should ensure the highest level of health and safety regulations, in compliance with national requirements.
- Paragraph 49 states that workers employed by multinational enterprises should have the right, in accordance with national law and practice, to have representative organisations of their own choosing recognised for the purpose of collective bargaining.

The 1976 **OECD Declaration** is a policy commitment to improve the investment climate and encourage a positive contribution by multinational enterprises to economic and social progress. The Declaration contains Guidelines for Multinational Enterprises, which the OECD governments recommend multinationals adhere to. The Guidelines are non-binding recommendations addressed by governments to multinational enterprises operating in or from member countries. They provide principles and standards for responsible business behaviour in a range of areas including employment, and industrial relations, human rights, environment and competition. They seek to "encourage the positive contributions which multinational enterprises can make to economic and social progress by helping to ensure that their operations are in harmony with the policies of the countries in which they operate".

The Declaration applies to all governments of the OECD countries, together with Argentina, Brazil and Chile, and all multinational enterprises which are operating within these boundaries or are headquartered in any of these countries. Since most multinationals are thereby covered, their scope is effectively global.

The **OECD Guidelines**, revised in 2000, are comparable to the **ILO Declaration**. They are two sets of positive guidelines creating an international framework to regulate multinationals and their social behaviour. Both documents are the two most important sets of internationally recognised standards in this area to date.

For further information see www.oecd.org and www.ilo.org, as well as the trade union reports, "A Trade Union Guide to Globalisation" at <http://www.icftu.org/displaydocument.asp?Index=991209485> and "A Users' Guide For Trade Unionists to the OECD Guidelines for Multinational Enterprises" at <http://www.tuac.org/publicat/guidelines-EN.pdf>.

Notes

- (1) Shannon Free Zone website www.shannonireland.com
- (2) ILO website www.ilo.org
- (3) *ILO database on export processing zones*. Jean-Pierre Singa Boyenge. ILO. 2003
- (4) EPZ Employment Statistics. February 2004. ILO website.
- (5) *Employment and social policy in respect of export processing zones (EPZs)*. Committee on Employment and Social Policy. 286th Session. ILO. March 2003
- (6) EPZ Employment Statistics. February 2004. ILO website.
- (7) PREM notes Economic Policy. No. 11. December 1998. Dorsati Madani. The World Bank.
- (8) *Employment and social policy in respect of export processing zones (EPZs)*. Committee on Employment and Social Policy. 286th Session. ILO. March 2003
- (9) Promotora del Comercio Exterior de Costa Rica. Quoted in *Employment and social policy in respect of export processing zones (EPZs)*. Committee on Employment and Social Policy. 286th Session. ILO. March 2003
- (10) *Employment and social policy in respect of export processing zones (EPZs)*. Committee on Employment and Social Policy. 286th Session. ILO. March 2003
- (11) "In Mexico, Maquiladoras are growing once again." *The New York Times*. 4 September 2004
- (12) Human Resources and Labour Relations. Information on ILO project in EPZs, posted on ILO website.
- (13) *Annual Survey 2004*. ICFTU. All cases on subsequent pages from the same source unless otherwise stated.
- (14) *Philippines: a union foothold in the export processing zones*. ICFTU Briefing No. 5. August 2003
- (15) *ibid*
- (16) Letter of 7 September 2004 from Kenneth Georgetti, President, Canadian Labor Congress, to Steven McMillan, President and Chief Executive Officer, Sara Lee Corporation.
- (17) *Philippines: a union foothold in the export processing zones*. ICFTU Briefing No. 5. August 2003
- (18) *ibid*
- (19) "The dragons turning China into the world's workshop." *Financial Times*. 26/11/2003
- (20) *Philippines: a union foothold in the export processing zones*. ICFTU Briefing No. 5. August 2003
- (21) *Export Processing Zones – Symbols of Exploitation and a Development Dead-End*. ICFTU. September 2003
- (22) *Tension is mounting in Bangladesh*. ICFTU Briefing No. 5. July 2004
- (23) *Employment and social policy in respect of export processing zones (EPZs)*. Committee on Employment and Social Policy. 286th Session. ILO. March 2003
- (24) World Investment Report 2002 .UNCTAD
- (25) *Employment and social policy in respect of export processing zones (EPZs)*. Committee on Employment and Social Policy. 286th Session. ILO. March 2003

BANGLADESH: Trade unions banned from export processing zones

Working conditions are poor in Bangladesh's export processing zones (EPZs) but are better than outside the zones. Prohibition of trade union activity in these zones is only due to end on November 1 2006 and considerable restrictions on freedom of association will continue after that date.

There are currently six EPZs in Bangladesh: Dhaka, Chittagong, Khulna (Mongla), Comilla, Uttara and Ishwardi. At least 135,000 workers (mostly female) are employed in more than 190 companies in the zones out of a total national workforce of 58 million workers. The textile, garment and leather industry is dominant in the EPZs, accounting for one fifth of Bangladesh's total export value. One of the greatest attractions for investors is a ten-year tax exemption. Investment mainly comes from South Korea but also from Japan, the United States, the United Kingdom, China and elsewhere. Professional management of the zones is another particularly attractive aspect. *"We've lost track of the number of times when water and electricity supplies have been cut off outside the zones,"* explains Mr M. Masud, the manager of Dada, a South Korean company based in the Savar (Dhaka) EPZ that mainly produces hats and caps for big brand names like Nike and Tommy Hilfiger. *"The authorities here ensure that we are always supplied with electricity, gas and water. Additionally, security is very effective here and we are protected from external disturbances of, say, a political nature."*

By "external disturbances" managers of companies based in the zones mean "trade union activity." Employers take a very dim view of Bangladeshi trade unions. Employers claim that all trade unions are manipulated by political parties and that they promote their own interests rather than workers'. As a result, trade unions are particularly unwelcome in the factories. Admittedly, a number of Bangladeshi trade unions are much closer to senior politicians than they are to the workers and are willing to manipulate their members to serve the interests of one party or another. However, trade unions in Bangladesh cannot all be tarred with the same brush. There are some outstanding Bangladeshi trade unionists who dedicate their lives to the workers' cause, but they are victims of the picture of the trade union movement painted by others, an image that employers like to spread and exaggerate.

Vilification of trade unions

As is the case in many countries, managers in the zones are the most allergic to the idea of trade unions. *"Because they are afraid of trade unions, we have agreed a limited period of peaceful relations,"* explains Md. Zakir Hossain, Executive Chairman of the Bangladesh Export Processing Zones Authority (BEPZA). *"The period during which trade union activity is prohibited in the zones was due to end at the beginning of 2004, but the final date has been put back several months."* Employers in the EPZs claim they want to respect workers' rights and to negotiate with workers through labour welfare committees that are not affiliated with external trade unions. Managers' harshness towards trade unions sometimes reaches ridiculous levels. *"We are at risk because our \$1 billion investment would be reduced to nothing and 130,000 workers could lose their jobs if trade unions are allowed in the EPZs,"* declared Kihak Sung, manager of Youngone, one of the largest companies based in a Bangladeshi EPZ in December 2003.

These exaggerated claims are part of the propaganda employers use to try to discourage the government from allowing trade unions to be set up in the EPZs. For years now, the government has been promising to abolish the prohibition on trade unions in these zones but has never taken action out of fear of how industry will react. The government has been confronted with pressure from international trade unions, including the International Textile, Garment and Leather Workers' Foundation (ITGLWF), which lodged a complaint with the International Labour Office, and pressure from the United States, which threatened to end Bangladesh's trade benefits under the General System of Preferences if restrictions on trade unions in the EPZs were not abolished.

Trade unions allowed only after 2006

A law allowing trade unions in the EPZs was eventually adopted in July 2004. It barely satisfies the

trade union movement because it contains many restrictions. The first restriction is that prohibition of trade unions in the EPZs will not end until November 1 2006. Over the next two years, only labour welfare committees are permitted, as is currently the case. When the prohibition ends there will be considerable restriction on freedom of association: trade unions in factories in the EPZs will only be permitted to set up a single federation and this federation will not be allowed to associate with federations in other EPZs to form a confederation representing all affiliated members in the zones. Trade unions formed within the EPZs will not be able to join a national trade union federation. These restrictions violate ILO Convention 87 on Freedom of Association and Protection of the Right to Organise and Article 5 in particular which states that, "Workers' and employers' organisations shall have the right to establish and join federations and confederations."

There is no guarantee that after November 1 2006 workers will be able to set up trade unions freely, even within a single company. Bangladeshi authorities generally turn a blind eye to anti-trade union practices, which are widespread across the country despite the fact that freedom of association outside the EPZs is enshrined in Bangladeshi labour legislation. The ICFTU's most recent annual report (1) is clear on this matter: "Workers who try to create a trade union are not protected before registration and are therefore often persecuted by their employers, sometimes by violent means or with the help of the police. The names of workers who apply for union registration are frequently passed on to employers who promptly transfer or dismiss them, particularly in the textile sector. Even after registration, workers suspected of carrying out trade union activities are regularly harassed. One popular ploy is to dismiss a worker for misconduct, as they are then no longer entitled to become a trade union officer. A complaint to the Labour Court is of little use given the underlying corruption and serious backlog of cases, which, in some instances, can stretch back more than ten years." Given the stinging criticisms of trade unions made by employers in the EPZs, there is every reason to fear that the freedom of association, due to be permitted in the zones from November 1 2006, will be as heavily restricted as elsewhere in the country.

However, whilst the EPZs are exempt from some elements of labour legislation – specifically regarding freedom of association, wage levels and health and safety standards – the rules applied within the zones often contain provisions which are more beneficial to workers than the provisions of Bangladeshi national legislation. Generally speaking, working conditions and wages are better than outside the zones. One reason is that companies in the newest zones have space to expand whilst factories in town centres are often confined to a few floors in old buildings that were not designed for industrial use. Therefore, it is much easier to ensure suitable ventilation, better sanitation and more space for workers in the EPZs. The focus on exports in these zones also forces managers to provide a working environment that is more "presentable" to big brand names which are concerned about maintaining their image. The better working conditions and higher wages mean that workers in the EPZs are generally healthier than workers employed outside the zone, as shown in a study carried out by the Bangladesh Institute of Development Studies (2) last year.

Better conditions - but better than what?

It's no great achievement for employers in the EPZs to describe their companies as better in comparison to firms operating outside the zones. Yes, life for workers is generally better in the EPZs compared to conditions elsewhere because many companies outside the zones force their employees to work in dangerous, medieval conditions that lead to many accidents, a situation resulting from a virtually universal violation of Bangladeshi labour legislation. The same is true regarding wages. "*Wages in the Dada factory in Savar are 45 per cent higher than wages in our other factory outside the EPZ,*" explains Mr M. Masud, Dada's manager. "*The average wage here is between \$50 and 60 a month for six days work out of seven.*" However, Bangladesh's labour force is one of the cheapest in the world, and pay - even in the EPZs - is very low.

Given the absence of trade unions in the EPZs, it is difficult to obtain reliable information on the abuse workers suffer. According to the most recent annual report produced by the ICFTU and several Bangladeshi non-governmental organisations, the number of cases of sexual exploitation of female

workers remains high. The ICFTU also laments unsafe working practices and the high number of cases where overtime work is not paid. According to the ICFTU and the ITGLWF, these abuses will only be reduced if independent trade unions are rapidly formed in Bangladesh's EPZs.

Samuel Grumiau

Workers at risk

Workers employed outside the zones rarely fare better in their attempts to join trade unions. An estimated two million women workers, working for 3,300 employers, make clothes for export in Bangladesh. Only 127 have an officially registered union and fewer than a dozen employers actually negotiate with them. Workers are frequently sacked, beaten up or subjected to false charges by the police for being active in unions. Nurul Islam, who is 45 and has four children, is the General Secretary of the textile union UFGW (United Federation of Garment Workers, an ITLWGF affiliate) and the coordinator of the health centre set up by three unions in the zone of Keranigonj. He has already been arrested a dozen times, the last being on March 1 2004. *"I was in my union's office, located in the same building as a local branch of a political party. The police arrived in large numbers and arrested everyone in the building. They threw us into prison and I was wrongly accused of holding explosives. I spent 11 days in a 4-person cell cramped together with 15 other people. The sanitary conditions were horrible."*

Workers who try to set up a union are subject to harassment and discrimination from their employers. *"We managed to set up 18 unions in textile firms in Mirpur, a zone in the Dhaka area,"* explains the leader of a large federation affiliated to the ICFTU. *"In each case, the employee who had been most active in creating the union was sacked. Legal procedures are in place for reinstating them, but this is always a waste of time and energy. Employers continually use a range of annoying measures to discourage us, such as suspension of our wages for a month or two. They know they will lose in the courts but all these measures are aimed at discouraging activists."*

Hostility to trade unions can lead to murder. In May 2004, Ashanullah Master, President of the Jatio Sramik League (JSL, an ICFTU affiliate), was shot during a demonstration. In early 2003, Aminul Islam Chowdhury, President of the Bhalo district committee of the JSL, died whilst being held for questioning in a military barracks. (3)

Notes

(1) Annual Survey 2004. ICFTU

(2) Health Status of the Garment Workers in Bangladesh. Pratima Paul-Majumder, Bangladesh Institute of Development Studies. Study carried out in 2003 involving more than 800 workers in the textile industry.

(3) Tension is mounting in Bangladesh. Trade Union Briefing No. 5. ICFTU. July 2004

CHINA: The “global factory”

Research from CAFOD originally published in december 2003

The electronics industry

China is now the largest developing country exporter (1), the world’s largest recipient of foreign direct investment (FDI) (2) and the fourth-largest industrial producer behind the US, Japan and Germany (3). Its export growth has been tremendous, reverberating in markets throughout the world. In 2002 China accounted for 60 per cent of world export growth (4).

China has emerged in the last 20 years as the world’s leading electronics manufacturing location. While electronics factories elsewhere in Asia have been suffering, many plants in China reportedly doubled output in 2003 (5). In 1999 and 2000 China’s two top export products were telecommunications equipment and computers (6). In 2000 high technology products accounted for 22 per cent of China’s total exports (7). In the same year, 25 out of 30 of the largest foreign transnationals to export from China were electronics or telecommunications companies (8). China is becoming a “global factory” for the computer industry. Huge factory complexes, many funded by Taiwanese capital, produce the components and parts for the global electronics industry.

Chinese factories are involved in many parts of component manufacture and assembly: factories in the Pearl Delta region produce CD and DVD ROMS, scanners, keyboards, monitors, desktop and laptop PCs, passive components (such as capacitors and resistors), printed circuit boards, power supplies and mobile phones (9).

The labour force

Chinese success is based in part on low wages (10). China’s wages are a fraction of those of its main competitors – half the rate of Indonesia’s, a quarter that of Malaysia and the Philippines, an eighth of Mexico’s and around five per cent of Taiwan’s manufacturing wage (11). Manufacturing wages average 60 US cents per hour (12). The labour force is based on a massive pool of migrant labour from rural China.

While electronics production is concentrated in the Pearl River Delta region, the workers in Chinese factories are mostly migrants from further north, often young women who seek a job in an export factory to save money to send home (13). Typically, workers are recruited through labour agents and vocational schools in inland provinces.

Most live in cramped conditions in dormitories on the factory site. Typically, around ten to 15 people sleep on bunk beds in each dormitory. The dormitories vary widely in standard. Some are acceptable to workers. Others are dirty, inadequately heated and ventilated, and without hot water or sufficient washing facilities, so that workers have to queue for a long time to shower after an 11 hour shift. Workers generally eat all their meals in the factory. Some factories provide adequate food; in others workers complain that the food is poor.

Excessive overtime and low wages

Very long, compulsory overtime and wages below the legal minimum are endemic in Chinese factories and the electronics sector is no exception. According to Chinese labour law, workers are entitled to at least one day off a week and overtime should not exceed three hours a day or 36 hours a month. The legal minimum wage in Dongguan, where most of CAFOD’s research was carried out, was around US\$ 54 a month in 2002; the minimum wage is calculated on the basis of an eight hour working day and workers should not be expected to work overtime to earn it. The law also requires weekday overtime to be paid at 150 per cent of the regular daily rate, Saturday and Sunday overtime to be paid at 200 per cent, and overtime on a statutory holiday to be paid at 300 per cent. However, the Chinese labour authorities do not enforce the law, partly because of their weak-

capacity: their staff are under-resourced and lack appropriate training.

Workers in the electronics factories which supply major brands routinely work hours far in excess of the legal maximum and without receiving the overtime stipulated in the law. One Taiwanese company with five factories in Dongguan City supplies many different components to major computer brands, including power supplies and adapters; printed circuit boards (PCBs); computer monitors; cooling fans and motors for computers; and CD ROM, networking products and lighting products. During the peak season, assembly workers in these factories work three to five hours of overtime a day, an average of 100 to 120 hours a month; and they work seven days a week. In the slack season, workers are given days off, but without pay. These working hours are typical, although hours can be even longer in other factories: up to 15 or 16 hours a day in the peak season. Some workers work all night in peak periods.

Wages are well below the minimum of US\$ 54 a month. The basic wage in these factories is US\$ 37 a month (increasing to US\$ 39 after working in the factory for one year, and to US\$ 42 after two years). To earn the minimum wage, workers must do illegal amounts of overtime. They may earn as little as US\$ 36 in the low season. Although workers receive up to US\$ 72 during the peak season, they can only earn this by working unacceptable amounts of overtime.

Overtime

Miss C, aged 20:

"Everything in this factory looks nice. The only thing is the low wages. I have been in the factory for two years and the highest income I have ever got is a little more than 500 renminbi (\$60). That was earned after having worked more than 100 OT (overtime) hours. ... How can that money be enough for us? At least you have to buy for everyday provision. And if I buy some clothing for myself, my income is finished. It is even worse in the low season when we have no OT work. Our basic wage will be deducted when we are forced to have a day off because no order is placed and we have no work to do. I do not find it too harsh working here. The only thing is low wages. We all want to earn more."

Recruitment fees

Low basic pay and overtime rates are not the only wage problem. Wages are often reduced further by the need to pay back debts to labour agencies who charge a high fee to place workers in jobs. Often factories retain wages so that workers receive them some weeks after they are due. Workers who resign do not receive the backdated wages owed them. One factory which produces CD and DVD ROMs deducts about ten per cent of workers' salaries in the first year of employment, returning the money after 12 months. This is intended to prevent workers from quitting in the peak season. Many workers do not have a written contract, and so cannot hold management to account for payment of proper overtime rates and hours. In peak seasons, workers may not even take sick leave: if they take a day off, wages are deducted.

Miss A is 18 and has been working in an electronics factory since she was 16. She finished junior high school at home in Shanxi province. When she learnt that factories in Guangdong province were recruiting new workers, she went to a local labour agency to register. She paid the labour agency RMB750 (\$91) and they arranged a place for her on a coach carrying young women workers from Shanxi to a factory in Dongguan City. Miss A paid the factory RMB50 (\$6) as down payment for her job. So she was RMB1,000 (\$121) in debt before starting work. At first she thought she would be able to return the money soon after entering the factory, but she was disappointed. In the first six months, she received only RMB300-400 (\$36-48) a month. After spending on food and other daily provisions, she had nothing left.

Excessive working hours do not boost factory profits. Recent research suggests that there is a business case for reducing overtime at supplier factories in China: cutting hours can help increase pro-

ductivity. Many factories operate at 35 to 75 per cent of their capacity and there is a clear link between high levels of overtime and low productivity. A cultural change is needed in China to make shorter working hours acceptable. (14)

Physical and psychological pressure

Factories have harsh penalty systems and exert strong psychological pressure over workers. In one factory, 25 US cents are deducted from wages if a worker violates a factory or dormitory rule. In another, 0.6 cents are deducted for each minute a worker is late. If workers are absent without permission, US\$ 3 is deducted. Workers are allowed to leave the factory premises only on Wednesdays, Saturdays and Sundays; at other times, they must obtain permission. Elsewhere, workers are forbidden from talking during work, and are fined for not sitting properly. In one factory, a worker is fined US\$ 3.60 for her first mistake in production and US\$ 7.20 for a second. There is one plant, which makes monitors, where managers have the right to fire workers who step on the grass in the factory complex. In another factory, workers who are caught littering must wear a placard saying, "I am a garbage producer."

The need to deliver quality products on time often means that workers are under great pressure not to make mistakes and to achieve production quotas, which are set by the day or by the hour. Conveyor belts are sometimes speeded up when there is a rush to deliver on time. In one keyboard factory, the job of each worker on a conveyor belt is to insert six or seven keys into the board. Each worker must finish 300 keyboards an hour. That means she must insert each set of six or seven keys and move on to the next within 12 seconds, and continue to do so for 12 hours. Workers testing monitors must test 150 an hour — 24 seconds for each monitor. Workers live in fear of criticism from supervisors and feel under intense psychological pressure. In a factory that makes components for laptop computers, workers are not allowed to talk, stretch or look around; and they may not leave the production line to use the toilet or drink water. In a factory making monitors, a worker who makes a mistake must wear a red overcoat.

Health and safety

Most people assume that electronics factories are at least clean, because of the precision required in manufacturing computers. However, a clean factory is not necessarily a safe factory, and many electronics workers operate in a dangerous or unhealthy environment. Many factories have no health and safety department, and fail to provide workers with health and safety training.

Some workers are exposed to dangerous chemicals without appropriate protection or training. Solvents are used to cleanse parts such as computer cases, which are then sprayed with liquid and powder paints. Workers rarely receive chemical safety training: they do not know the names of the chemicals they are using, whether they are dangerous, and what protection they should use. Chemicals are supplied in unlabelled containers.

In one factory, workers dealing with solvents are given cotton gloves, but do not wear them. The gloves are not effective because they become soaked through with solvents and many workers get rashes and spots on their hands even when wearing the gloves. The gloves serve primarily to protect the components from the workers' sweat, rather than to protect the workers' hands; and wearing gloves slows workers down, making it more difficult to achieve production quotas.

Workers who solder components on to metal boards are exposed to smoke and complain of skin irritation and breathing difficulties. Workers making printed circuit boards suffer from chemicals most: their job is to dip the board into different chemicals, which come into contact with their skin. They often suffer from rashes. Chemicals are not properly stored. One worker joked that the factory looked more like a petro-chemical plant than an electronics factory.

In December 2001 there was a fire in a factory which makes computer cases and peripherals. A

machine used to mould computer cases had had an oil spill and the workers on duty, who had not received health and safety training, used a flammable thinner to clean the floor. The thinner caught fire and eight workers were burnt. Two had 30 per cent burns, including to their faces and feet, and they now have difficulty walking. Another has difficulty using her hands. The workers in the factory were not insured for industrial accidents at that time and the injured workers have not been compensated according to the law. The factory had no fire drill or fire safety training.

Elsewhere, workers are subject to noise pollution. Machines which press components together are very loud. Workers are given cotton ear-plugs every six months, but they last only two weeks. Workers on production lines often find their legs, backs and shoulders become stiff and sore after standing at work for up to 11 hours. Those who test monitors sit in front of them for up to 11 hours a day, looking at a flashing screen. They often have eye problems, including tired and swollen eyes, and after a while their vision becomes blurred. The factory gives them no education about eye problems that might arise from their work.

Bad practice is avoidable. Workers interviewed in one factory which assembles mice and digital cameras praised health and safety management. Their workplace is air-conditioned, which cools both machines and air temperature; workers can sit while they work; there are short breaks between work sessions; and there is good ventilation which captures the chemical-laden smoke that soldering produces; and workers are provided with gloves and masks.

Independent trade unions repressed

All attempts at establishing independent workers' organisations in China are repressed. Organisers are arrested. Some are sentenced to forced labour (officially called "reform through labour", or lao gai) after criminal trials in which their rights as defendants are systematically ignored. Others are sent to "rehabilitation through labour" (lao jiao, formerly translated by the authorities as "re-education through labour"). Incarceration in a psychiatric unit is another form of punishment. As a result, examples of independent unions are rare and organisers of collective actions operate at great risk. The fear of detention also makes negotiations between workers' representatives and the authorities and employers extremely difficult. However, there has been a marked trend of worker organisers being prepared to take this risk.

There is no right to strike in China. While the Labour Law, Trade Union Law and Occupational Safety Health Law make mention of "work-stoppages", workers who put these vaguely-worded provisions to the test invariably find themselves informed that strikes are not legal, and they themselves are often arrested.

Chinese legislation only allows workers to affiliate to the All-China Federation of Trade Unions (ACFTU), which is fully controlled by the Chinese Communist Party (CCP). China has not ratified the two core ILO Conventions on Freedom of Association (No. 87) and the Right to Organise and Collective Bargaining (No. 98).

The ACFTU operates strictly as a monopoly, as stipulated by the law. It actively promotes the party line and the views of the authorities, according to which unauthorised action by the workers can lead to "social turmoil and chaos." The President of the ACFTU sits on the most powerful ruling body in China, the Standing Committee of the CCP Political Bureau and, in this capacity, directs a "campaign against strikes," a campaign under which thousands of people, accused rightly or wrongly of exercising criminal activities, are executed every year.

Source: Adapted from Annual Survey 2004. ICFTU

- This case study has been taken from the report *Clean Up Your Computer. Working Conditions in the Electronics Sector*, published by the aid agency CAFOD in 2003. CAFOD's research on

working conditions in Chinese electronics factories was carried out by the Hong Kong Christian Industrial Committee (HKCIC), which conducts education and advocacy activities on workers' rights and promotes the independent trade union movement. It is not easy for NGOs to obtain access to Chinese electronics factories and it is particularly difficult to have candid conversations with workers.

Notes

- (1) By value for the year 2001, UNCTAD (2002) Handbook of Statistics 2002, Geneva: UNCTAD
- (2) For the year 2002, UNCTAD (2003) World Investment Report 2003, Geneva: UNCTAD
- (3) Far Eastern Economic Review 17 October 2002
- (4) FT.com site 22 September 2003
- (5) Financial Times 4 February 2003
- (6) UNCTAD (2002) World Investment Report 2002, Geneva: UNCTAD (calculated by SITC number – numbers 764 and 752)
- (7) UNCTAD (2002) World Investment Report 2002, Geneva: UNCTAD
- (8) Based on figures from UNCTAD (2002) World Investment Report 2002, Geneva: UNCTAD
- (9) Background research by Hong Kong Christian Industrial Committee.
- (10) China is also an attractive location because of its huge domestic market, and because a common language made business in China easier for Taiwanese investors.
- (11) Adapted from UNCTAD (2002) Trade and Development Report 2002, Geneva: UNCTAD
- (12) The Economist 13 February 2003
- (13) Except where otherwise stated, information in the report on conditions in Chinese factories is taken from research carried out by the Hong Kong Christian Industrial Committee.
- (14) The Impactt Overtime Project carried out for Debenhams, Hennes & Mauritz, Ikea, Marks & Spencer, New Look, Pentland Group and Sainsbury's by Impactt.

DOMINICAN REPUBLIC: Jobs at risk

Eighties boom

At the beginning of the 1980s, very few Dominicans had even heard of export processing zones (EPZs). Twenty years on, they have taken on such a dominant role in the country's economy that the term has become common currency. Providing direct employment for over 170,000 workers in 2003, the EPZs still constitute one of the main sources of hard currency and employment in the Dominican Republic.

The boom in Dominican EPZs at the beginning of the eighties was prompted by exceptionally good access to the North American market, together with attractive incentives for investors. By setting restrictive import quotas exclusively targeted at Asian producers, the United States was able to give Central American and Caribbean countries preferential and selective treatment. This will come to a complete halt in January 2005 with the ending of the WTO Agreement on Textiles and Clothing. For the moment, there are almost no tariff barriers or quantitative restrictions on Central American and Caribbean exports to the North American market, thanks to the Caribbean Basin Initiative (CBI) of 1983 and the Caribbean Basin Trade Partnership Act (CBTPA) of 2000 (1).

Dominican EPZs sustained almost a decade of boom but were unable to maintain this high rate of growth in the nineties, as other countries in the region, such as Honduras, Guatemala and Nicaragua, profited from even lower labour costs. In addition, the Dominican Republic was among the countries most affected by the application of the North American Free Trade Agreement (NAFTA), which led to the relocation of production and the flight of capital to Mexico. The final blow came in early 2001, when the sector shed 20,000 jobs following the slowdown in the US economy (2).

Although the zones have not regained their former dynamism, the total value of exports picked up again in 2003 after a two year decline, from US\$ 4,317 million to US\$ 4,398 million, largely due to the export of electronic and pharmaceutical goods (3). The garment sector continues to provide most jobs, almost 120,000 which represents some 69 per cent of total employment in the zones, followed far behind by tobacco (6.4 per cent), electronics (5.3 per cent) and pharmaceutical products (5.3 per cent). According to the National Council of Free Zones (CNZF), the sector is dominated by US investors (47 per cent in 2003). Next in line are Dominican investors (34 per cent) followed by South Koreans (5 per cent) (4). The United States also continues to be the leading market for EPZ products, particularly clothing.

Join a union ... and lose your job

Behind these figures - long proffered as an example of neo-liberal success in Latin America - lies a less glossy reality: the treatment of Dominican workers employed in the zones. Unfair dismissal, brutal repression, the hiring of armed gangs, verbal and physical abuse, are common practice in Dominican EPZs and have been denounced by the ICFTU (5) and the International Textile, Clothing and Leather Workers' Federation (ITGLWF) (6) as violations of the basic right to freedom of association and collective bargaining. The violations are widespread despite the fact that the Dominican Republic has ratified ILO Conventions 87 and 98 establishing these rights.

"Joining a union can mean losing your job without any explanation," explains Mayra Jiménez, General Secretary of EPZ workers' federation FUTRAZONA, an affiliate of global union ITGLWF. "And people don't join unions to lose their jobs but to keep them. It's not easy for us to organise a union in an EPZ. The most complicated thing is managing to get half of the workers plus one to join before we can embark on collective bargaining, as established by national law. As soon as most of the workers are finally signed up, some companies decide to give everyone the sack. All the time we should be devoting to fighting for other rights is spent in the courts trying to get the workers we've organised reinstated."

As for working conditions, the disproportionate pursuit of profits leads to a constant push for ever-higher production rates – for that, read unpaid, underpaid or compulsory overtime, limited access to toilets and the circulation of union black lists among employers. If workers fail to reach the targets needed to qualify for productivity-linked pay, they still, at least, have a right to the minimum wage, which amounts to 3,561 pesos (77 Euros) a month. But the real value of the minimum wage has been dwindling fast over recent months. The inflation rate had already reached over 25 per cent during the first quarter of 2004 (8). In the zones located along the border with Haiti, the picture is even more dismal as the state, in an effort to attract domestic and foreign investors, allows the companies there to pay a monthly wage of only 1,690 pesos – less than half the value of the minimum wage. In this context, the 12 to 14 per cent wage rise planned by employers for 2004 is but small consolation.

Women workers on the frontline

It's not easy being an EPZ worker, and being a female EPZ worker is even worse. Employers flagrantly violate ILO Conventions 100 and 111 on equal treatment ratified by the Dominican Republic. The discrimination endured by women and frequently denounced by local and international NGOs takes on many different forms: different wage scales for men and women, sexual harassment (9-10), pregnancy tests as a pre-condition of recruitment (11), the dismissal of pregnant women and so on. Recent reports by the US NGO Human Rights Watch also revealed that it is not uncommon for women workers, and particularly those employed in EPZs, to have to give blood samples which are then screened for HIV/AIDS. Those found to be positive are usually dismissed or refused employment (12).

Maribel Batista, a lawyer with the technical department of the National Council of Trade Union Unity (CNUS), is under no illusion about the persistent violation of women's maternity rights in the zones. *"The labour inspection system in the Dominican Republic is very poor. Consequently, many violations simply do not appear in the statistics held by the Labour Ministry."* She goes on to explain that, under national legislation aimed at protecting maternity rights, the moment a pregnant worker presents a medical certificate, her dismissal is subject to the prior authorisation of the Labour Ministry. Some employers, however, manage to get round this by firing workers as soon as they detect the early signs of pregnancy (sleepiness, nausea, lower productivity). If the company is able to fire a woman before she can produce the results of a medical examination, the Supreme Court rules that the dismissal is legal.

Transfer of production to Haiti

What does the future hold for Dominican EPZs? Under the World Trade Organisation's provision on export subsidies, the Dominican Republic and other countries with a per capita income in excess of US\$ 1,000 will have to abolish tax exemptions for investors over the years to come, depriving Dominican EPZs of one of their major attractions. Furthermore, the elimination of the quotas on North American imports in January 2005 could cost the Dominican garment industry some 30,000 jobs, according to the best-case scenario (14). The President of the Economic Research Centre for the Caribbean (CIECA), economist Pavel Isa Contreras, wonders about the chances of recovery, *"Although it may not collapse totally, the sector is undoubtedly going to see a decline. Within four to seven years, I can see a sector employing only 130,000 or 140,000 people. On the whole, EPZ workers who have completed primary school education but not secondary should be able to find other jobs. But if there's no other source of economic growth, where are these jobs going to come from?"* There is some evidence that industry in the zones is beginning to diversify. Less than 35 per cent of the new companies that have set up in the EPZs since the beginning of the year are in the textile/garment business (16).

Neither its proximity to the United States nor the preferential treatment granted by the trade agreement concluded with the US in 2004 will be enough to save the Dominican garment industry. The sector is highly vulnerable because of its narrow focus on assembly, its limited range of products

“I didn’t choose this job!”

Guillermina, EPZ worker

Don’t ask Guillermina Sosa Rijo why she “chose” to work in an export processing zone. *“I didn’t choose this job!” snaps the 34-year-old worker. “It’s just the easiest way to get some money. We’re usually paid weekly, and I need money fast. There are very few options for us poor people.”* In her 14 years behind a sewing machine, Guillermina worked for seven different textile companies before ending up at JR International in the San Pedro de Macoris export processing zone 75 km from the Dominican capital.

From her experience in many EPZs, Guillermina has come to the conclusion that labour relations in the zones always follow the same pattern: the workers are not aware of their rights and the employers are therefore free to violate them with total impunity. That’s why, six months ago, she decided it was time to overcome this ignorance by setting up a trade union. She is the General Secretary. Her goal? Ensure respect for Dominican law. *“The managers have already tried to ‘buy’ me on several occasions. They offered me a supervisory post and money to stop me from being a trade union leader.”* Guillermina declined the offer, even though she could really have done with the extra income.

Indeed, little is left over from the 820 pesos (17.50 Euros) the trade unionist earns each week after she has paid for lunch (200 pesos a week), breakfast (125 pesos a week), and her fare to and from work (200 pesos a week). In theory, the productivity-linked wage system should enable the workers to earn a good deal more. But in practice, even at the highest rate of productivity, it is hard to finish work with more than 1,100 pesos a week. At JR International, supervisors are responsible for speeding up the rate of production by putting the workers under constant pressure. Trips to the toilet are out of the question. *“If we don’t comply, they threaten to sack us. They like to scare the workers, as they know full well that we need our jobs.”*

A few months ago, Guillermina had to undergo urgent surgery costing some 50,000 pesos. The medical staff at the social security office refused her treatment because her name did not appear on the register - neither her name nor those of her colleagues. In accordance with the law, JR International automatically deducted a percentage (around 28 pesos) from the weekly wages of each of its 230 employees for their social security contributions. Yet Guillermina’s employers never handed over a single peso to the social security fund and not one employee was on the social security register. *“I nearly lost my life because my employer didn’t pay the social security contributions. Living through this experience has given me a lot of strength. I would never want my colleagues to go through the same ordeal.”* Today, in spite of Guillermina’s efforts, workers at JR International in San Pedro de Macoris still have to pay contributions for health care that they may never receive.

and its exclusive targeting of the North American market (19). In a quota-free global textile market, Dominican EPZs could always fall back on fast or seasonal orders in keeping with trends in the fashion industry, an area where China is not a market leader. But what will the Dominican Republic do to contend with increasingly aggressive and cheaper competitors from Asia and Central America? “Transfer part of your production operations to Haiti to take advantage of the cheap labour,” was the overt recommendation given by the US International Trade Commission in 2004 (20).

The Dominican and Haitian garment industries already share complementary production capacity. This will increase with the US Haitian Economic Recovery Opportunity Act which authorises Haiti to import Asian fabric (cheaper than US fabric) to make the clothes it sells to the USA. One Dominican apparel giant, InterAmericana, has already started to invest in the Haitian garment industry through the industrial parks of Port-au-Prince. Dominican consortium Grupo M, a supplier of major brands including Levi’s, with a strong reputation for its anti-unionism in the Dominican Republic, recently started managing Haiti’s CODEVI zone.

Both countries are committed to a project to build a large scale EPZ development straddling the borders of the Dominican Republic and Haiti. The plans have been delayed by the political upheaval in Haiti but may get back underway in the coming months. Leonel Fernández, the new President of the Dominican Republic whose party won a landslide victory in May, is expected to relaunch the initiative. His government's record on national and international labour standards will be carefully monitored.

Laurent Duvillier

Notes

- (1) Centro de Investigación Económica para el Caribe (CIECA). See: www.cieca.org Desarrollo y Políticas Comerciales en la República Dominicana, Pavel isa Contreras, Miguel Ceara-Hatton y Federico Alberto Cuello Camillo, Friedrich Ebert Stiftung/Centro de Investigación Económica para el Caribe, Diciembre 2003, 150pp.
- (2) Las Zonas Francas en la República Dominicana: Situación y Desafíos, Dra. Maribel Batista, Departamento Técnico Legal del Consejo Nacional de Unidad Sindical (CNUS) para la Federación Dominicana de Trabajadores de Zonas Francas, Octubre 2003
- (3) Informe Estadístico de la Economía Dominicana. Enero-Diciembre 2003, Banco Central de República Dominicana, Mayo 2004
- (4) Informe Estadístico 2003, Consejo Nacional de Zonas Francas de Exportación – CNZF, Junio 2004
- (5) Export Processing Zones –Symbols of Exploitation and a Development Dead-End, ICFTU, September 2003
- (6) “Misión Internacional Condena Abusos de Derechos Sindicales en Zonas Francas Dominicanas”, Press Release, International Textile, Garment and Leather Workers’ Federation (ITGLWF).
- (8) “Inflación se traga 79% de los sueldos medios”, en El Caribe, Miércoles 2 de junio 2004
- (9) “RD enfrenta denuncias por acoso sexual en la OIT”, El Caribe, Domingo 6 de junio 2004.
- (10) Sexual Harassment in the Export-Processing Zones in the Dominican Republic, May 2003. International Labor Rights Fund/Rights for Working Women Campaign, Prepared by Lourdes Pantaleón (Fundación Laboral Dominicana).
- (11) Pregnancy-Based Sex Discrimination in the Dominican Republic’s Free Trade Zones: Implications for the U.S. Central American Free Trade Agreement (CAFTA), Human Rights Watch, April 2003
- (12) A Test of Inequality: Discrimination Against Women Living With HIV in the Dominican Republic, Human Rights Watch, July 2004.
- (14) Economic and Employment Impacts on the Dominican Republic of Changing Global Trade Rules for Textiles and Apparel, submitted by Nathan Associates Inc. to USAID/Dominican Republic, June 2003
- (16) “Aumenta el numero de empresas y empleos en zonas francas”, Nota de prensa, 07-09-04, Asociacion Dominicana de Zonas Francas (ADOZONA). See: <http://www.adozona.org>
- (19) Assessing the Impact of the Phasing-Out of the Agreement on Textiles and Clothing on Apparel Exports on the Least Developed and Developing Countries, Richard P. Appelbaum, Center for Global Studies, University of California (Santa Barbara), May 2004
- (20) Textile and Apparel : Assessment of Competitiveness of Certain Foreign Suppliers to the US Market US International Trade Commission, January 2004. See: www.usitc.gov

HAITI: Union busting by Grupo M

Workers' rights "non-existent"

Haiti now has five industrial parks, the largest of which are the publicly-owned company SONAPI and privately-owned SHODECOSA. These industrial parks, located close to the airport, rely on short-term subcontracting arrangements with US companies who supply raw materials for manufacturing. (1) According to Yannick Etienne of trade union Batay Ouvriye (literally, Workers' Battle in Creole), the only real distinction between an "industrial park" and a "free trade zone" is the legal definition. *"The working conditions and labour relations are identical, if not worse, in the industrial parks. The factories are housed in dilapidated buildings, with no toilets, deplorable sanitary conditions, no ventilation, and workers cramped on top of each other."* (2)

In its 2004 Annual Survey, the ICFTU reports that the application of labour laws in Haiti is "very poor" and workers' rights are "practically nonexistent" (3). Although the Constitution guarantees freedom of association and the right to strike, there is no legislation on discriminatory recruitment or the reinstatement of unfairly dismissed workers. (4) This legal void allows companies in the industrial parks to violate workers' rights. (5)

In theory, productivity-linked pay or piecework means that the 25,000 workers employed in the parks are able to earn much more than the legal minimum of 70 gourdes a day (1.70 Euro). The minimum wage was established in 1995 and has not been adjusted since to keep up with inflation. According to Charles-Henri Baker, Vice-President of ADIH (Association of Haitian Industries), employers exceed their responsibilities by paying two to three times more than the minimum wage. *"On average, all those working on sewing machines receive between 150 and 200 gourdes (€4.80) a day. Does that afford them a decent living? At the moment, no, it is true. But the day when the state develops agriculture so that our workers can spend a third of their income to feed themselves, yes. It's up to the state to do its job!"* Contradicting the figures given by Mr. Baker, several Port-au-Prince factory workers stated that they rarely finish a six day week with more than 660 gourdes (16 Euros) in their pockets, whilst weekly family expenditure easily amounts to as much as 3,500 gourdes.

Unfair dismissals

Whilst Haiti's industrial parks date back to the seventies, the development of its export processing zones is more recent. Former President Jean-Bertrand Aristide passed a law establishing free trade zones in 2002. Just weeks later, the CODEVI (Industrial Development Company) free trade zone was set up in Ouanaminthe, on the border with the Dominican Republic, under the management of the clothing group Grupo M. The company, based in the Dominican Republic, built the plant using a \$20 million dollar loan from the International Finance Corporation (IFC), the World Bank's private sector lending arm. The loan was conditional on the company's respect for freedom of association and the right to collective bargaining.

Is Grupo M fulfilling these commitments in practice? Since production was launched in August 2003, not a week goes by without reports of workers' rights violations in the CODEVI factory which manufactures jeans for Levi's. There have been cases of abductions, beatings, arbitrary dismissals, verbal abuse, unpaid overtime, intimidation with firearms, and interrogations. Workers are routinely made to work excessive hours without pay for overtime. The Haitian Human Rights Platform (POHDH) reported that, "Workers do not have the right to organise, and those who do so face dismissal."

Joseph Salnave, who used to work in the factory, has testified to the appalling working conditions there. *"The day would begin at 6.45 a.m. and end at 7 p.m., nearly 11 hours with just one 45-minute break to eat lunch, have a wash and go to the toilet. Then back to work. We could go to the toilet once or twice a day. If we asked to go a third time, then the Dominican supervisors called us 'undisciplined'.*

We worked under constant pressure from the supervisors, who forced us to keep up a production rate of 900 units per day, in other words we had to sew, say, 900 flies. The Wrangler and Levi's jeans we made were then sold in the United States. Anyone who did not complete his or her work had to work more the next day to make up for it. Joseph was sacked last year for making a complaint about poor treatment and unpaid overtime.

In June 2004 the local union SOKOWA, seeking a response to its two main demands - a pay rise and fairer treatment - organised a one day strike involving an overwhelming majority of workers. Just days after the strike, CODEVI dismissed 376 workers, over half the workforce, including almost all the trade union members. All but one of the union's Executive Committee were fired. John Picard Byron, Executive Secretary of POHDH, describes the dismissals as "arbitrary" and "illegal". Grupo M denies these accusations, blaming "falls in productivity" and the "extremism of radical groups" for the sackings.

The solidarity action of trade unions and NGOs from Europe and the United States led to an unexpected reaction from Grupo M buyers. Sara Lee, which owns Wonderbra and Hanes, decided to suspend its orders with CODEVI until all the workers are reinstated, whilst the popular jean brand Levi Strauss, taking a more cautious move, has reduced its orders and called for dialogue. (6) The ICFTU, for its part, has asked the IFC to freeze all loan transfers to Grupo M until the workers are reinstated and their grievances are addressed. (7) Bowing to international pressure, Grupo M expressed its intention to recall the dismissed workers in the future "when work becomes available", without, however, giving any further details.

An arbitration team is now trying to defuse the strained relations between CODEVI and the workers, whose anger has been fuelled by the latest scandal. Workers suspect CODEVI of operating a covert sterilisation programme under the guise of an immunisation campaign. (8)

Zone expansion

CODEVI in Ouanaminthe is the first free trade zone to be established in Haiti, but it will not be the only one. At least two other zones were approved by Presidential Order in September 2003. Hispaniola Investment S.A. (HINSA), under construction in Drouillard near the Port-au-Prince airport, and Parc Laffiteau S.A., are expected to launch operations before the end of the year. (9)

The long-term plan is to develop free trade zones along the whole length of the border. Indeed, *Fonds Hispaniola*, set up in 2002, seeks to convert part of Haiti and the Dominican Republic's foreign debt with the US into a border development fund. (10) Almost one billion dollars may be earmarked for bilateral programmes aimed at developing the region through tourism, education, commerce, and free trade zones. The *Fonds Hispaniola* initiative was placed on hold following the troubles in Haiti, but could be relaunched within the months to come.

Legislation passed by the US Senate in July 2004 also favours the development of free trade zones in Haiti. The Haitian Economic Recovery Opportunity (HERO) Act gives Haiti most-favoured nation status, which will allow it to sell garments made from fabric imported from Asia rather than the much more expensive US fabric it has been obliged to use until now. (11) Thanks to the drastic cuts in its production costs, Haiti's industry may become one of the only countries in the region capable of competing with Asia once export quotas are lifted in January 2005. (12) According to one US study on wage levels (salaries and social benefits) in the various garment industries of the world, Haiti was pinpointed as offering the cheapest labour in the whole American continent (US\$ 0.49/hour), far cheaper than the Dominican Republic (US\$ 1.65), Nicaragua (US\$ 0.92) and even China (between US\$ 0.68 and 0.88/hour). Charles-Henri Baker of the Association of Haitian Industrialists (ADIH) believes that the HERO Act could lead to the creation of between 150,000 and 200,000 direct industrial jobs within the next three years, mostly in the textile sector.

In a climate so favourable to the development of free trade zones, it will not be long before the 327

kilometres of Dominican-Haitian border and the outskirts of Port-au-Prince are studded with factories built on the same model of worker exploitation as that imposed by Grupo M in Ouanaminthe.

Laurent Duvillier

Why I was sacked

A former zone worker tells her story

She used to work on a production line making jeans and bras. Now Louissane Borgella makes school uniforms for children. The 32-year-old Haitian worker began working for herself after being dismissed in June along with 370 work colleagues from the CODEVI (Industrial Development Company) free trade zone. As the eldest of the family, with a brother, five sisters, and two children of her own to support, she does not have much choice. Louissane still has a vivid picture in her mind of the infernal production line where she worked for almost ten months in the free trade zone located on the Dominican-Haitian border.

"The minimum wage was 432 gourdes (10.50 Euros) a week. We had to work on production lines of 14 people. If we managed to finish 10,000 items, we could earn 900 gourdes (22 Euros). But I never managed. It was impossible. At best, 6,000 or 7,000, no more." Louissane witnessed threats of physical violence and verbal abuse on a daily basis *"We were often pushed around while we were working. Some women were approached by men who wanted to 'have a chat' with them. They were threatened with dismissal if they didn't allow themselves to be taken advantage of."*

Louissane could not even begin to calculate the number of overtime hours she worked, always unpaid. She had to clock in at the factory entrance by showing her ID card, but she never had to clock out. *"Our working day was supposed to be from 6 in the morning to 4.30 in the afternoon, but the supervisor never agreed to that. He always wanted us to work longer, often until 6pm and sometimes as late as 7.30. And do you think we received more money for it?"*

Louissane decided to join the local union SOKOWA which had been formed in March, knowing that she risked her job. When in June Grupo M, the Dominican company controlling CODEVI, fired workers from five out of the ten production lines, claiming a fall in productivity, Louissane did not believe it for one second. *"We were sacked because we had organised a one day strike for a pay rise. The workers on these five production lines were practically all members of SOKOWA."* The 5,500 gourdes received as "severance pay" have not silenced Louissane who is still fighting for compensation and interest.

But aside from sexual harassment, mass dismissals and other violations of workers' rights, Louissane Borgella's chief concern is her health. On two occasions, CODEVI workers were administered vaccines in the factory clinics. These were tetanus jabs, they were told. Since then, many of the women have been suffering from serious health problems. *"I myself no longer have my periods at the same time; they come much later. And I often have stomach ache."* Like many workers, Louissane suspects that she may have been subjected to a covert sterilisation campaign, but has no way of proving it.

Would this former FTZ worker ever work again in the CODEVI free trade zone? *"If the management starts to show respect for the workers, yes. If not, no!"*

The Caribbean's Taiwan

The boom in Haiti's manufacturing industry reached its peak in the early eighties as Haiti played on its strengths: cheap labour, proximity to North America, and privileged access to the US market. By the seventies, manufactured goods, largely for export to the United States, had grown so fast that they overtook agricultural products as the country's main export, giving substance to forecasts by some experts that Haiti was set to become the "Taiwan of the Caribbean."

But Haiti's assembly manufacturing sector experienced a sharp fall in investments and jobs from 1986 onwards. Political instability and incoherent government policies meant that Haiti, unlike its Dominican competitor, was not able to capitalise on the preferential treatment offered by the United States through the Caribbean Basin Initiative (CBI) of 1983 and the US Caribbean Basin Trade Partnership Act (CBTPA) of 2000. Consequently, the number of workers producing textiles and garments, stuffing toys, or making baseballs fell from 60,000 in 1980 to 41,000 in 1989, and to only 30,000 in 2003 (13).

It now looks as if this downward trend is being reversed. In 2003, clothing exports alone represented 88 per cent of Haiti's total exports to the United States, and generated 291.5 million dollars, according to the US Department of Commerce (14). According to CEPAL (Economic Commission for Latin America and the Caribbean), exports from garment factories in 2003 registered growth of nearly 15 per cent in terms of volume and 22.6 per cent in value, though a further fall is expected in 2004 (15).

Notes

(1) Source: Summit. See: www.summitreports.com

(2) All quotes from interviews carried out in Port-au-Prince in August 2004, unless otherwise stated.

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HONDURAS: Union break through in the maquilas

Abuses in garment factory

At the WTO summit in Cancún in September 2003, the ICFTU unveiled a new video detailing the physical and verbal abuse suffered by workers at the Corazón Apparel factory in San Pedro Sula, Honduras. Just six months later the same workers were celebrating the signing of a new collective agreement, only the second such deal in the Honduran *maquilas*. In addition to an increase in wages, the agreement brings many other benefits such as protective clothing, one week's paid maternity leave, loans for the purchase of bicycles, and time off when needed to visit the social security offices. But most important of all, from the workers' point of view, was the change of attitude on the part of the managers and supervisors. As union delegate José Santos puts it, *"Now there is no more ill-treatment. We are treated like human beings, like proper workers."*

While the Corazón agreement illustrates the power of international trade union pressure and solidarity, it also demonstrates the enormous problems of organising in the *maquilas* and in export processing zones. Above all, it is a tribute to the unstinting work over many years of the Corazón workers and the small team of organisers from the global textiles' union, the ITGLWF, based in San Pedro Sula.

Up to 300,000 people work in the *maquilas* in Honduras, now the fifth largest garment manufacturer in the world (see box). There is virtually no union organisation and the workers – mostly young women – work for low pay in poor conditions. Corazón Apparel is one of five companies located in ZIP Calpulés – a privately run industrial processing zone (ZIP) which union organisers are barred from entering. The predominantly female workforce of 570 work a nine hour day doing piece work.

Since 1998, the ITGLWF has been running a project in San Pedro Sula, financed by the Dutch union confederation FNV, to organise workers in the *maquilas*. One of the reasons Corazón was targeted by the project team was the number of complaints they were hearing.

"I saw the ill-treatment of colleagues, how the head of personnel and the supervisors rounded on workers and shouted at them, acting as if they were going to hit them. People would come out of meetings crying, fainting," explains Ibec Gómez, President of SITRACOR, the Corazón workers' union.

A former employee, who cannot be identified, claims she was assaulted by a factory guard. *"He snatched the time card out of my hand, and then grabbed my arm and pulled it back over my head. Then he punched me in the back"*.

Corazón Apparel is owned by the Korean multinational Yoo Yang International. They own another factory near San Pedro Sula called Yoo Yang which was successfully organised in 2001. However, each factory is under separate local management, and Corazón resolutely refused to accept a union.

Organising workers in an EPZ is extremely difficult because of the constant fear of victimisation. As ITGLWF Policy Assistant Laura Carter explains, *"The problem in the past was that unions were created with the minimum number of workers - perhaps seven, ten or 20 - and then when the employer reacted to that and there was an anti-union campaign, workers were fired and the union was unable to protect its members. So the aim here was to find a way of building majority support within the factory and that meant in reality fairly clandestine campaigns because of course as soon as the employer got wind of what was happening they would just fire those involved."*

Recruiting neighbours

The strategy adopted by the local union SITRACOR was to start organising where the workers lived with the formation of barrio committees. These committees met as informal study circles, and served as an awareness-raising opportunity for workers to learn about their rights, the role of trade unions, and what could be achieved through organising. At this point, these were self-contained neighbourhood committees. Once there were enough people involved, all members of these neighbourhood

Honduras' maquilas – a tale of FTZs, EPZs and ZIPs

Clause 807 of US customs regulations allows for duty free re-importation to the USA of clothing assembled in a Caribbean Basin country using US cloth. Honduras is the “centrepiece country” in this programme, because of low labour costs and a more productive labour force, according to the Central America Business Consultants website.

With unemployment running at 50 per cent, the Honduran government has been keen to promote job creation. In 1998 following the devastation caused by Hurricane Mitch, the whole country was declared a **FTZ** (free trade zone). This designation gives investing companies exemption from duties and charges on imports and exports, as well as exemption from income taxes and municipal taxes for a designated period.

Within the FTZ, eight **EPZs** have been set up. These zones, privately-owned and first established in January 1990, offer advantageous facilities for factories, including water, power, and communications - facilities which are not readily available to the majority of Honduran homes. EPZs also provide security, waste collection, and cleaning services as well as in-house customs, employment agencies, and health clinics. Companies are encouraged to locate there because “production costs in Honduras’s EPZs are among the lowest in the Western hemisphere.” The workers are also described as “industrious and productive” as well as eager to learn and work hard.

ZIPs (industrial processing zones) are older. They were established by law in 1987 and offer further incentives for companies to locate in the country. These “pleasant, enclosed compounds with 24 hour security” offer 100 per cent exemption on import duties for raw materials, export taxes and sales taxes. *Destination Honduras*, the country’s official visitor and business guide states, “ZIPs are located within easy walking distance for most employees.” This fact is not borne out by the fleets of collective transport that arrive at the beginning and end of the working day, carrying thousands of workers (including those at Corazón) to and from homes some distance away.

committees were invited to a general assembly.

“When this happened, it was great,” remembers union delegate Luis Alonso, “because then we knew we weren’t alone. Before we were six or ten people, then we saw that we had a united group – we were many and we were strong.”

The company responded by sacking three SITRACOR leaders, as well as several other activists, though these were subsequently re-instated following pressure from the ITGLWF. Then, in a cynical exploitation of Honduran labour legislation which allows for only one union in each workplace, the company set up a yellow union and facilitated the official recognition process. The company’s manipulation became clear when the list of supposed members was submitted to the Ministry – it contained names but no signatures.

Sensing something was amiss, the Labour Ministry sought assistance from the ILO. The Ministry then proposed that union elections take place, and, despite concerns that these would not be able to take place unhindered, SITRACOR agreed. The result was a resounding victory for SITRACOR, which won 223 of the 283 votes cast. However, more pressure from ITGLWF was needed before the union was finally granted legal recognition in April 2003. Three months later, they submitted a list of proposals for a collective agreement.

Negotiations were slow and difficult. “Our boss, Mr Kim, was completely unresponsive,” recalls union President Ibec Gómez. “All 600 workers went around with stickers proclaiming ‘we demand this collective agreement’ while others wore headbands saying ‘we want an agreement and we want it now!’”

Meanwhile, incidents continued to occur, involving verbal and physical abuse, sackings, and false accusations of theft. In a nine month period, some 18 incidents were recorded, but none was satisfactorily resolved. One of the worst involved Aracely Lara Fuentes who lost her baby when the company refused her time off when she was feeling ill. Interviewed for the ICFTU video, she describes her

despair and how she felt she was going to die in hospital. *"I blame them for what happened. If they had given me permission to leave, I would never have lost my baby".*

Video provokes response

The video caused considerable concern among retailers and now the ITGLWF began to get a more positive response from Corazón's parent company Yoo Yang International, as Laura Carter explains,

"At that point, when we made approaches to Yoo Yang International they responded very quickly. I think we wrote to them one day and that afternoon or the next day we received a response from Mr. Hwang of Yoo Yang International wanting to meet with our General Secretary, Neil Kearney, without delay. It was interesting that at Corazón at local level negotiations had become bogged down, whilst at international level the company was very concerned to get this resolved because they could see what a bad impact this was having on their image and that this was really damaging their future prospects."

Under pressure now from both their Korean owners and the workers in the factory, Corazón management were persuaded to complete negotiations. Of the 57 clauses submitted by SITRACOR, not one in the end was rejected.

"The collective agreement has been a great success," says Martha Canales, a worker at Corazón. *"The organiser helped us and we have gained a lot. Now we don't have to ask permission to go to the social security while before we used to lose pay."*

Aracely Fuentes also welcomes the agreement, *"I am very proud of the union. Everything in the company is now working well. We tell delegates our problems, and they sort it out."*

Ibec Gómez is now keen to promote Corazón's new positive image among retailers. *"Buyers don't want to know that the product they buy is produced by the sweat of oppressed workers. When people are shouting at you or telling you you're useless -it's not right. I think that this is all in the past now. I think that's the real achievement of the collective agreement."*

However, despite the success at Corazón, Laura Carter recognises that the ITGLWF still faces a huge task, *"I think the achievement is very considerable because you can't underestimate the difficulties of organising in the maquila. But of course we're very aware that you can't spend four years organising two factories. It's just not an acceptable success rate. We need to step up that unionisation rate and organise much more widely."*

John Eden

MADAGASCAR: The lure of cheap labour

Madagascar's export processing zones (EPZs) took off in the 1990s and are unusual because they can extend to any business on Madagascar territory. Foreign investors are overwhelmingly concentrated in the textile and clothing industries, the first coming mainly from Mauritius and France, quickly followed by others from India, Hong Kong, China and Bahrain. The African Growth and Opportunity Act (AGOA), which came into effect in 2000 (see box), soon led to a tidal wave of American investors, who have come to play an increasingly dominant role in what was initially a European market.

Development fuelled by US markets

By 2001, Madagascar had become the third largest exporter of clothes to the US market, leading to the creation of no fewer than 60,000 jobs. But with the crisis that paralysed the Madagascar economy in 2001 to 2002, many of these companies shut down, laying off some 100,000 employees and causing the market in exported textiles and clothing to collapse to half its former value. When the crisis was over, Madagascar managed to climb back up to fourth place in terms of export volume amongst the eligible exporting countries of the AGOA, and the return of Madagascar exports to the US market continues. In September 2003 Madagascar exports to the US were worth over \$25.52 million. And in order to continue benefiting from the opportunities provided by the AGOA, the Madagascar government intends to develop the production of textile raw materials, which will better fulfil the terms and conditions of the AGOA as well as those of the European Union-ACP agreements.

"A lot of investment is currently under way which, when completed, should lead to an automatic fall in production costs," hopes Henri Jacky Radavidra, Chairman of the Group of Free Enterprises and Partners (GEFP) and Vice-Chairman of the Group of Madagascar Enterprises (GEM), who adds that, *"The future is looking bright, especially with the creation of two new EPZs in Madagascar which will be operational from 2005 and will concentrate on the textile and clothing sectors and information technology services, currently still in their infancy. These zones will be situated around Antananarivo, as this is where workers with relevant skills and essential infrastructure (roads to the airport and the port of Toamasina) are located. There are also plans to create EPZs around Toamasina, but until now they have been hampered by the lack of sufficiently qualified workers. No definite decision has been taken yet, the idea being for the moment to focus on diversification, for example free port activities, storage, data pro-*

Homeworking at the end of the shift

Norosoava Ravalanirina (32) works for a Belgian knitwear and embroidery company. *"I make jumpers using a machine, but I don't have a protective mask. I can normally make five jumpers, but when my boss tells me to make nine, I can't do it and I sometimes have to work till 10 pm. I earn MGF252,000 (about 22 Euros) per month. It's very little, as my rent costs MGF150,000. I can no longer afford rice or meat, and I have to walk to the factory because I can't afford the bus ticket. My sister also works in the same factory but in the embroidery section, so she can bring extra work to do at home, and I share this sub-contracting work with her. In all I do three hours of embroidery each night and also on Saturday afternoons."*

Sahondra Rasolonirina (44), a worker in a French embroidery factory, complains about very low wages, the particularly heavy workloads in November and December due to Christmas orders, the fact that the workers need to wear glasses due to eye strain, and also the difficulty in speaking to her employer, *"There's no give-and-take with our boss; he makes the rules and we have to follow them. He always talks to us harshly. When we ask him for a favour such as having the table raised a bit because it hurts us to keep bending down, he tells us off. I joined the union a month ago so that I could get to know the laws better and I go to union training every Saturday to improve our working conditions."*

cessing or subcontracting of assembly-line work.”

However, with no guarantees beyond 2008, the AGOA will not ensure the future of EPZs in the long term. Even more worrying immediately is the end of textile quotas (MFA) at the start of 2005, which will bring clothing produced in Madagascar into direct competition on the European market with clothing from other low-wage countries like Bangladesh, Pakistan, Thailand and China. The EPZs hope that Asian companies will relocate to Madagascar, but the workforce still has to be properly trained.

The average EPZ worker is a 27 year-old, married, migrant woman on a monthly salary of MGF245,000 (22 Euros) with a primary school education¹. Women make up 70 per cent of the workforce in the textile, clothing and service sectors, although barely 25 per cent of managerial posts in these sectors are filled by women. These female workers from poor families are either single women with no other source of income or married women seeking to supplement their husbands' income. A Madagascar newspaper recently described them as women who “tend to hold posts that involve assembling or finishing products, simply because of their lack of education and training combined with a lack or absence of qualifications, which prevents any possibility of promotion and moving between sectors. Hence they risk losing their jobs as technology advances.” (2) Hence also their desire to save whatever they can now to set up small informal businesses or buy sewing machines to make a living when they are no longer employed in the EPZ.

“You only look for a job in an EPZ factory when you've exhausted all hope of finding one anywhere else. For many women it's the only way to escape unemployment, short of becoming a street vendor,” explains Hantassa, a young woman who works in a French quality clothing factory for up to 60 hours a week during peak periods. Her boss says that, while his future in Madagascar seems secure for the next five years, in the longer term, *“with Asia offering an increasingly complete production management package, and more and more technology too, things could quickly change.”*

Harsh conditions in the zones

When the EPZ was created, the main goal was to reduce tensions on the labour market. Nobody disputes that the growth in activity in the EPZs has had a positive impact on the labour markets, particularly in the urban area around Antananarivo (3). For women in particular, after leaving school the EPZ is the only job opportunity that allows them to escape the clutches of casual employment. Although the trend seems to be towards improved conditions and on-the-job training in the zones, nevertheless daily life for many workers in the EPZs remains very difficult.

Two types of company are clearly distinguishable in the EPZ, one group that is reasonably compliant with labour laws, and another that is resolutely hostile to trade unions and the Labour Code. Among the latter, Asian investors have a particularly bad reputation. According to Henri Jacky Radavidra, *“The Asians are used to much more liberal labour laws in their own countries. For linguistic reasons, communication is very difficult. The Chinese, for instance, speak hardly any English and no French or Malagasy at all. Asian middle-managers often have great trouble adapting to the culture and this can often lead to conflict.”*

On February 1 2004, the minimum wage was set at MGF230,000 (around 20 Euros), but some workers take home no more than MGF200,000, including overtime. “Hourly wages in the EPZ are rising at a slower rate in real terms than in other sectors in spite of the zone's considerable economic growth. The reason for this would seem to lie in the availability of flexible labour, insofar as

About AGOA

The US African Growth and Opportunity Act (AGOA) became law in May 2000 as Title 1 of The Trade and Development Act of 2000. The Act offers beneficiary countries in Sub-Saharan Africa liberal access to the US market and incentives to introduce economic and commercial reform.

it is the only sector continually taking on new workers," commented the Madagascar Tribune (4).

Pay slips are often unclear or incorrect. The initial quota corresponding to the basic salary is often supplemented with additional work of an ad hoc nature and hours worked as overtime. Sometimes the production quota proves impossible to meet within the normal time limit, and the overtime hours required to achieve it are paid at the basic and not the overtime rate. The penalty systems frequently in place (for arriving late, refusing to work overtime, making mistakes, meeting with trade unionists and other arbitrary reasons) can lead to further cuts in wages, and, to cap it all, workers face the sack if they make one "mistake" too many.

A typical working day in the EPZ starts at 7 or 7.30 am and goes on until 6 pm, sometimes even 10 or 11 pm if orders are due. Weekend work is also required during these periods. In spite of this, employers still feel that Madagascar's working week, officially 40 hours, is not long enough, and cite the 45-hour week on Mauritius and the 48-hour week in the Seychelles.

However, many EPZ workers complain that they no longer have any "time to live", something that is particularly difficult for the women who make up the majority of the workforce, and who also have their houses and families to look after. The Madagascar Labour Code stipulates that overtime must not exceed 20 hours per week and in theory ought not to be worked at all unless the employer has reasonable grounds to ask the Labour Inspectorate for authorisation. Yet many workers talk of having to work overtime every day, often till very late at night. Many of them live miles from their place of work and have to walk home once the factory taxi has stopped running. Furthermore, although women are legally prohibited from working at night, in reality many factories force them to do so even when they are pregnant.

All too often dust masks are not provided, nor are protective gloves for use with cutting machines nor boots for those doing industrial cleaning. The temperature in the factories is often very high, and ventilation systems are rare. Several cases have been reported of factories where emergency exits are kept locked. Canteens are often dirty and the quality of the food can leave much to be desired. Most factories have a medical facility, but workers complain that these often do no more than hand out aspirin rather than providing real treatment. Absences from work, even on legitimate health grounds, are often directly subtracted from the wage packet, so that some workers turn up to work when ill. There are also frequent irregularities on the part of employers in registering workers for insurance.

More than one job to make ends meet

Some employers have a different approach to working hours: *"We soon realised that productivity was higher over a six hour period than a ten hour period - it's a question of concentration,"* says the manager of a French data-collecting company employing 300 people in the suburbs of Antananarivo. *"Some of our workers live in shacks with no water or electricity. They turn up here not having eaten, and that obviously has to be taken into account in terms of hourly productivity. We're also aware that some of our employees work here in the evening and in a textile factory during the day, women especially. We don't force them to do overtime because we know that one job isn't enough and they need another to make a living."* He adds that in order to meet increasingly tight customer deadlines from publishers, libraries and specialist magazines, shift work and night work are the norm for customers who send files in the evening and wish to have the finished product the following morning.

Although textiles is by far the most important sector, the new information technologies, still in their infancy, show great potential for development, particularly since Madagascar's technical limitations are being overcome and workforce training is underway. The margin, however, remains considerable: hiring four Madagascans to do the job of one French worker still works out cheaper.

Trade union rights flouted

The law provides for trade union rights, but in reality a lack of political will and resources means that these rights are flouted on a daily basis. In practice, violations of trade union rights occur every day. Workers have enormous trouble forming unions and engaging in collective negotiations. Workers are frightened to be seen talking to a trade union representative. In those factories where a trade union has managed to gain official status, it can be very difficult - even forbidden - to hold union meetings, and the unions complain that employers often do not act in good faith, which prevents any proper dialogue between the two parties. Currently, there is not a single collective agreement in force in the EPZs.

The Labour Inspectorate has insufficient resources to carry out its investigative role properly, and usually only acts defensively on complaints it has received. Corruption too - rife throughout the country - has a devastating effect. The Labour Court is overburdened and it can often take years for a verdict to be reached. Workers cannot afford to wait that long and neither they nor their unions have the resources to pay legal fees.

According to Henri Jacky Radavidra, *"The AGOA sets out comprehensive codes of conduct. Some European companies, like Decathlon, do the same and carry out their own inspections in the factories."* But unions complain that, *"In some factories, the buyers' codes of conduct are displayed. But most workers do not understand what they mean. The buyers seem to carry out quite regular inspections, but these are often very short and unlikely to overcome the workers' reluctance to speak out for fear of repercussions."* (5) However, there have been several cases where such inspections have led to improvements in conditions.

International trade union solidarity

"The CFDT is helping us to get established in the EPZ and to elect and train staff representatives," explains Marie-Thérèse Rasoarimanana, from the Women's Committee of the FMM, the Madagascan union affiliated to the ICFTU. Since 2000, as part of the French "Ethique sur l'étiquette" campaign, set up by the French trade union CFDT in partnership with a number of NGOs, the CFDT has been working to support the FMM's work in gathering information, forming unions and training union representatives. *"We try to send them information on working conditions here, and in exchange they inform the French public about the production conditions of the big French companies that buy Madagascan products,"* explains Marie-Thérèse Rasoarimanana. This collaboration should soon result in the launch of a trade union training seminar.

Natacha David

Notes

(1) Madagascar Tribune, 23/11/2003

(2) Madagascar Tribune, 23/11/2003

(3) Conclusion INSTAT 2004 in Madagascar Tribune 21/1/2004

(4) Madagascar Tribune, 21/1/2004

(5) The Suffering Zone: Findings from Madagascar. Clean Clothes Campaign, 2002

MAURITIUS: Textile industry at a crossroads

Threats to miraculous growth

In 1968, when Mauritius gained independence from the United Kingdom, its economy was dominated exclusively by the sugar industry. The industry was vulnerable to climatic changes, and there was a high level of unemployment. As early as 1970, the Mauritian government decided to dispose of the economic legacy from the colonial era and diversify the economy by promoting tourism and setting up an export processing zone (EPZ), the first of its kind in Africa. The peculiarity of the zone is that it does not cover a particular geographical area but the whole island.

The large-scale development of the Mauritian export processing zone started in the early 1980s, thanks mainly to the textile industry. The presence on the island of a very active Chinese business community attracted investors from Hong Kong. These investors welcomed Mauritius's cheap labour, political stability and freedom from fixed export quotas to the European Union and the USA. Taking up the tax incentives introduced by the government, the owners of large sugar cane plantations also decided to diversify by investing in tourism and the new zone.

The export processing zone is now the main source of employment in the country. Some 90,000 men and women are currently employed in the zone, including 75,000 in the garment industry. The 90,000 direct jobs in the EPZ have also generated thousands of others in related sectors, such as construction, transport, banking, customs and accountancy. The purchasing power they have generated has also stimulated a general rise in consumption in the country. Just under two thirds of these 90,000 are women. Daughters and mothers with low qualifications, who would otherwise have been unemployed throughout their lives, have been absorbed by this sector, boosting their status in rural areas. In addition to textiles, the EPZ has diversified to include industries specialising in diamonds, leather goods and domestic electrical appliances.

The USA's adoption in May 2000 of the African Growth and Opportunity Act (AGOA) has helped Mauritius further. The aim of the act is to allow African countries access to the US market and to help countries develop their local industries. About one hundred products for export have been exempted from tax, generating a 55 per cent increase in exports to the USA and 340 million dollars of investment in Africa. But the AGOA is not set in stone. President Bush agreed in July 2004 to extend the act until 2015, though with some major restrictions: from 2007, African countries will have to buy their raw materials in another country covered by the AGOA, whereas before they had a free choice. 2007 is a sword of Damocles hanging over Mauritius and other African clothes exporters that fall under the AGOA, since no African country is able to supply these materials in adequate quantities and quality for the clothing industry. This has led to the launch of a new strategy by some groups in Mauritius, who are investing in the creation of supplier firms in Mauritius itself.

Rising unemployment

Mauritius's considerable economic growth has generated wage increases. *"The average wage in the EPZ is 300 rupees per month and with overtime a worker can earn almost three times that. Clearly, the cost of our labour is a handicap, but our strong points are the skill and productivity of that labour force, which allows us to produce high quality goods,"* explains the Labour Minister Showkutally Soodhun. Even in the clothing industry, where pay is lowest, a Mauritian garment worker can expect to earn at least \$150 a month - four or five times more than can be earned in the textile industry in many Asian or African countries.

There has been a succession of company closures in recent years, which have seriously affected the unemployment rate. In 2003 for instance, the net increase in recruitment (4,800 jobs created) was not enough to offset the number of new job seekers following the closures of textile factories throughout the year (9,600 job losses). With 54,400 people looking for work, the unemployment rate rose to 10.2 per cent in 2003. The situation has got even worse since early 2004. According

to the worst predictions, the EPZ will only manage to retain between 60,000 and 75,000 jobs in the next few years.

Hong Kong employers, who used to invest in Mauritius, have found it particularly hard to resist the economic charms of China since its entry into the World Trade Organisation (WTO), particularly with the imminent ending of quotas under the Agreement on Textiles and Clothing. *"We love Mauritius for its political stability and educated work force ... but our shareholders are expecting returns on their investment,"* said Edmond Lau of the firm Sinotex in a recent statement that also spoke for other Hong Kong enterprises. Mauritius's long distance from the USA, compared to Asia, does not do it any favours either.

Social responsibility

Mauritius intends to make the most of its positive social image in order to retain the trust of the big western buyers. Whilst far from perfect, working conditions and wages are less exploitative than those in many other countries specialising in the clothing industry. *"These days if you don't respect workers' fundamental rights and have a transparent personnel management policy, your customers will drop you,"* states David White, Human Resources Adviser at the Textiles Company of Mauritius (CMT). *"The USA and Europe are very sensitive to these matters. Every month one of our customers comes over to carry out an audit. There have been some abuses but these are isolated cases. We regard social responsibility as vital."*

Mauritian employers also point out that this is not the first time the local textile industry has faced a difficult period. In the early 1990s, a consolidation phase saw the disappearance of the least efficient factories, whilst those that opted to focus on quality, productivity, efficiency and top-range products managed to find a niche. The most far-sighted employers had already realised that producing low-quality products would leave them vulnerable to competition from India and South-East Asia. The local industry strived to set itself up as a knowledge base and service centre for the region's textile industry.

"It's wrong to think that customers are leaving Mauritius overnight for Asia or elsewhere. The most important thing is keeping trust and the added value of the product - such as design for which customers are prepared to pay a fair price," explains David White. Alain Chan Sun, Director of the Mauritius Export Processing Zone Association (MEPZA) adds, *"Ten years ago we faced the same sort of competition from Bangladesh and Sri Lanka. Some buyers left Mauritius for those countries. But most of those buyers came back owing to the higher quality of our products and our professionalism. Today some customers are asking themselves the same questions concerning China, where deadlines are often missed and there is still a lack of professionalism."*

The government is providing training in tourism and other sectors to offset the job losses from the textile industry. However, the skills level and age of workers in the garment industry mean they are not able to re-train for all the sectors Mauritius would like to develop such as Cyber City, an information technology project. *"We can't simply take workers who have been employed for 20 years in the textile industry and only know that and retrain them for sectors like the Cyber City,"* explained Danièle Wong, former Director of the MEPZA, in the daily *Le Mauricien* on June 15 2003. *"We will need to redirect workers within that industry since there are no openings elsewhere. I'm not saying that the cyber city is a bad economic choice but it can't replace the textile industry. We have been in textiles for many years and we know there is new potential. It won't be easy but it can be done. If we do nothing we will be faced with unmanageable social disintegration. There is a price to pay for social peace."*

Shortage of labour

Despite rising unemployment, recruitment is a serious problem in the zone. The current workforce is ageing and a new generation of workers is less keen to work in factories. As Alain Chan Sun, Director of MEPZA, puts it, *"There is a high level of education in Mauritius and the best educated young people no longer want to work in the export processing zone but prefer tourism, which has a pleasanter*

working environment, or else IT jobs, for example in call centres”.

The labour shortage is not confined to the textile industry but exists in other sectors in the EPZ, such as the diamond industry. *“We have recruitment problems owing to people’s memory of the very tough working conditions when the EPZ started out,”* explains Edley Chimon, Managing Director of Floreal Diamond Cutting Ltd. Chimon set up the company in 2000 and has managed to increase its staff from 15 to 100 in four years. As a former EPZ worker, he remembers things well, *“We were called all sorts of names, thoroughly exploited, and never sure when we arrived in the morning if we would have work the following day.”*

Political discourse: the reality for workers

Mauritius is bracing itself for the impact of the ending of the Agreement on Textiles and Clothing in 2005. *“We expect some 9,000 job losses in a dozen companies,”* says Labour Minister Showkutally Soodhun. *“We shall try to provide training in tourism and alternative sectors to textiles, in order to retrain some of the workers sacked by the companies in the export processing zone. With help from the World Bank we have also started taking measures to restructure and renovate the whole EPZ.”*

Some of the workers who have already lost their jobs have managed to find another job quickly thanks to the labour shortage, sometimes with help from the social partners. Job markets are organised to put workers and potential employers in touch with one another, particularly when factories are closed. The social assistance fund of the EPZ can also provide help when factories close down, not least by adjusting or cancelling the dues owed by sacked workers.

Nonetheless, politicians’ stated desire to help dismissed workers and the reality on the ground are sometimes very different. Paulette, who is now 44, worked for 24 years for the Summit-Textile factory until its closure in August 2003. She is very disappointed by her current situation. *“None of the 1,500 of us who were dismissed has found a new job. We had been promised help with finding work*

Abuse of foreign workers

The Mauritian EPZ employs 15,000 foreign workers, mainly from Sri Lanka, India and China. *“The foreign workers are very important in the EPZ because they also fulfil a social function. They do overtime and work on Saturdays and Sundays unlike Mauritians who have a different lifestyle,”* confided Danièle Wong. In other words, these foreign workers are vital to the functioning of the factories because they accept tasks and working hours that Mauritians refuse.

The appalling working conditions of Chinese women employed in these factories have hit the headlines, often reflecting the unscrupulous practices of Chinese recruitment agencies. Chinese women workers recently went on strike to protest that, having paid a 1,000 dollar recruitment fee, their wages were then paid in dollars directly to the recruitment agency, leaving them barely 200 to 300 rupees. The Mauritian authorities are now insisting that the Chinese workers receive their full wages and that the recruitment agencies are officially registered by the Chinese authorities.

Owing to both language barriers and restrictions imposed by employers, immigrant workers are even more difficult to contact for the unions. *“I visited some Madagascan migrants in one factory. They are not aware of the law that protects them - just like Mauritians - and often earn 2000 to 2500 rupees (70 to 90 dollars) less than Mauritians per month. Some of them have intolerable living conditions, sleeping in dormitories on beds with no mattresses in tiny rooms where 12 people can be crowded together,”* explains François Alexis, the Mauritius Labour Congress organiser in the EPZ. *“The government is allowing foreign workers to be imported, arguing that Mauritians no longer want this type of job. But surely it is the poor working conditions in the sector that are putting Mauritians off which need to be looked at. Foreigners are used to working 24 hour shifts and 7 day weeks,”* the unions complain.

and access to training, but those promises were not kept. Our severance pay amounted to 15 days per year of service. With my seniority I received the equivalent of one year's salary. Now I have no source of income but I am the breadwinner for my family. The public health system is free but inefficient and you obviously have to pay for private health care."

Unions ready to cooperate

Though labour legislation covers companies operating within the Mauritian EPZ (with a few adaptations on working time), unions are critical. Legislation is often not enforced and many labour inspectors are biased. *"It's very easy to sack people in the EPZ,"* stresses Jugdish Lollbeeharry, General Secretary of the Mauritius Labour Congress (MLC), an ICFTU affiliate. *"That is why workers are so scared of becoming union delegates. We have been calling for a revision of industrial law to help combat abuses, but the government has replied that changing the law risks frightening off investors and provoking relocations."*

Social dialogue is generally respected in Mauritius but fear of dismissal, coupled with a large proportion of newly-recruited women workers, partly account for the low unionisation rate in the EPZ. *"Workers know of many cases of people who joined unions ending up sacked or deprived of the right to work overtime,"* explains François Alexis, another MLC organiser in the EPZ, who adds that abuses are most prevalent in Asian-owned factories. *"The law allows you to join a union but it is not applied. The bosses do what they like and use blackmail along the lines of 'if you set up a union the factory will close'. The Labour Minister is from the grass roots and a former trade unionist, but the political speeches do not reflect the real situation."*

Long working hours make contact between union officials and women workers difficult. The women have family and domestic commitments in addition to their paid work. *"They work very late on weekdays and till 3 or 4pm on Saturdays,"* states François Alexis, *"so they clearly prefer to spend the rest of the weekend with their families."*

Aware of the threats to the future of the EPZ, the unions are calling for a determined effort to engage in the tradition of social dialogue which, though imperfect, has allowed Mauritius to present a positive image in terms of social stability. *"We are prepared as unions to cooperate with the government and work together to preserve our markets, since we are aware that the standard of living on this island largely depends on the EPZ,"* explains Dev Luchmun, Director of Worker Education at the MLC and the author of various publications on trade union action in Mauritius' export processing zones. *"We know that factories that are not modernised will face serious problems, which is why we are calling right now for a major effort in training workers."*

Natacha David

MEXICO: Clean up your computer

Research from CAFOD originally, published in December 2003

Passing through

Guadalajara has been dubbed the “Silicon Valley” of Mexico. Its numerous electronics factories make and assemble components for computers, mobile phones, disc drives, printers, CD players, digital cameras, washing machines and dishwashers, among other electronic products. From the mid-1970s US and Japanese companies, including IBM, Hewlett Packard, Dell, Texas Instruments, Xerox and NEC, sourced more and more products in Mexico, attracted by its favourable investment conditions, cheap labour, and – for the US companies – the mere hop across the border to their Texan and Californian science parks. From the mid-1980s to the mid-1990s, exports from the Mexican electronics industry grew from US\$ 18.251 million to over \$60 billion¹ and in 1996 alone, the industry generated 28,603 jobs (1). Investment peaked in 1997 and came crashing down when the technology market and demand for electronics products collapsed in 2001. More than 15,000 jobs were lost in the first half of 2001 (2). Many electronics companies fled Mexico seeking the cheaper wages of China.

The wider impact of the electronics sector upon the Mexican economy has been disappointing. The country’s successful export sector has failed to carry the rest of the economy along with it and Gross Domestic Product (GDP) growth has remained slow, sometimes even contracting. Very little value is added to electronics products in Mexico and linkages with the domestic economy are weak (3). The electronics factories are *maquilas* – plants where imported components are assembled for export. In the 1990s 95 per cent of electronics products manufactured in Mexico were exported to the US; and in the same period, 90 per cent of the components used in this manufacturing were imported – mainly from the US4. Some 45 million Mexicans remain poor and levels of inequality between rich and poor are widening (5).

The electronics industry in Guadalajara

The relationship between the US brands and the electronics workers of Guadalajara is indirect and complex. Most electronics firms operating in Guadalajara are contract manufacturers, for example SCI, Flextronics, Jabil and Solectron. The big brands hire contract manufacturers to assemble electronics goods. For example, Dell contracted manufacturing to Jabil for several years until 2001; and SCI manufactured Hewlett Packard products. The contract manufacturers, however, do not usually employ many workers directly: they outsource recruitment to employment agencies.

IBM is an exception to the general rule. Uniquely among the major brands, it has had its own manufacturing facility in Guadalajara since 1975, specialising in the assembly of desktop and laptop computers. The company has become one of Mexico’s main exporters and the largest in the state of Jalisco. In 2000, its Mexican production represented around 60 per cent of IBM’s worldwide laptop output (6).

Although IBM owns the factory, most manufacturing is contracted out. In 2003, IBM announced that it would outsource its entire manufacturing operation in Guadalajara to one contract manufacturer, Sanmina SCI. (7)

IBM pioneered the system of recruitment through employment agencies, which continues with SCI. There are currently around 7,000 workers in the IBM factory, of whom 500 are employed directly by IBM or by SCI – generally managers, supervisors and secretarial staff. The remaining 6,500 are recruited by employment agencies (8). The consequence is that the brand manufacturers are shielded from workers’ concerns by two intervening layers: the contract manufacturer and the employment agency.

Employment in the electronics sector (9)

Thousands of workers are employed on the assembly lines of the electronics factories of Guadalajara. Pay, although higher than that of workers in factories producing for the domestic market, is low: typically, US\$ 50-\$100 a week, and less in some factories. A worker must do excessive overtime to earn close to US\$100. A basket of basic food, rent, transport and clothing for a family of four amounts to about five times the legal minimum wage, and electronics workers typically earn less than half of the cost of that basket. If clothing, education and some discretionary income are added, it amounts to US\$ 250 a week. Even a week's basic healthy diet costs US\$ 75 for four people. Also, hours are long. Workers spent far more than the legal maximum number of hours in factories, partly because overtime is compulsory, and partly because low hourly rates mean that they must work excessive hours to earn enough to live. (10)

Vulnerable and voiceless

Electronics workers tend to be vulnerable. The majority are young women aged between 18 and 25, with few economic resources. Many are single mothers. They are prepared to accept poor conditions in the workplace because they must provide for their children. Their expectations for their own lives are often low. Sister Luz Elena Barrios Calleros of the Centro de Reflexión y Acción Laboral (CEREAL), which facilitated CAFOD's research in Guadalajara, runs courses on self-esteem for workers. She believes that low self-esteem perpetuates poor working conditions:

"It's terrible to say, but many workers feel that what they get is what they deserve. Their opinion of themselves is often very low. They think because they didn't finish high school or get a degree that ending up in a maquiladora¹¹ is an inevitability. The treatment that they are subjected to in the maquilas makes this situation much worse. They are treated as if they were ignorant and stupid. They tell us that they are treated like animals, shouted and sworn at, sometimes even pushed around. It is a fundamental right for the worker to be respected, however lowly the job they are doing."

According to Juan Carlos Paez, Human Rights Coordinator of CEREAL, the companies exploit workers' vulnerability. They know that *"they can push the conditions further and further down, progressively low-*

Monica's story

Monica, 26, was recruited in 1999 by contract manufacturer SCI to work on an assembly line making Hewlett Packard printers. Monica worked on the Hewlett Packard line until 2001:

"They did a psychometric test on me and then asked normal questions, without all the personal stuff I had at IBM. But then came the medical exam. I was in a room with two nurses. Well they were dressed like nurses anyway. They were both very rude and really bullied me around, shouting at me to do this, do that. They asked me all those questions about drinking, smoking, illnesses in the family. Then one said, 'Strip off, I need to check you for tattoos.' My word was not good enough. I had to take off all my clothes, including my underwear. They even touched me while I was naked, checking my breasts. I don't know what they were really looking for.

After that, they asked me if I was pregnant. I said no, but that wasn't enough. They gave me a test paper and ordered me into the bathroom telling me to do the pregnancy test. They said, 'If you have your period then you have to show us your sanitary towel to prove that you are bleeding.'

It was a totally humiliating experience. It was the worst thing I have ever had to go through. It was completely degrading. But I didn't know how to complain – I mean, they were doing the same thing to everyone."

CAFOD has anecdotal evidence from many other workers that these practices continue. CAFOD offered Hewlett Packard the opportunity to comment on Monica's story. In its defence, Hewlett Packard said it had no prior knowledge of the situation and, if it had, would have taken immediate action. (15)

ring pay, benefits, safety precautions, and yet the women will hang on – because they have to. The company knows exactly how fragile is the situation of these workers, and they exploit that.”

Sylvia, 28, a single mother of two daughters was involved in a dispute when her company attempted to reduce wages: *“My supervisor told me to shut my mouth if I care about my two children. He said, ‘Think about how you are going to provide for them if we sack you.’ This is how they threaten you.”*

Central to the difficulty workers face in asserting their rights is the absence of effective unions in the electronics factories. As Juan Carlos Paez says: *“Unions cannot even get a foothold in the electronics sector, they are blocked out by employment agencies. People need to be educated and trained so that they can protect themselves against exploitative practices. The more they know their rights, the more they can defend their own human dignity.”* Factories are unrelenting in their efforts to anticipate and forestall collective action. They discourage workers from talking in a group with colleagues. Lupe, 28, comments: *“It is very difficult to discuss things at work with other colleagues, to try and get anything organised. If we were ever found talking in a group the supervisors would threaten us with the idea of the plant being closed, ‘If you don’t reach the production targets then all this work will go China,’ they said. ‘There they are better workers than you and they get less pay.’”*

The recruitment methods used by employment agencies show the lengths to which companies will go to ensure a pliant workforce: agencies screen out potential “troublemakers” by discriminatory and often humiliating recruitment practices. CAFOD has seen a list of reasons for refusing employment, used by three agencies who contract workers for the IBM production line. (12) The list clearly shows discrimination against, among others, gay men and lesbians, pregnant women, and anyone who might encourage workers to negotiate collectively for better conditions.

“Reasons for rejection in psychological interview” include “has brought labour claims, homosexual, socially inadequate, does not agree with policies of IBM, signs of lesbianism, more than two tattoos, doesn’t respect authority, conflictive person, belongs to a political party as an active member, not disposed to work overtime, father is a lawyer, has a qualification in law, worked for a lawyer, worked for a union, transvestite, has earrings, has long hair.”

“Reasons for rejection in socio-economic interview” include “has friends who are drug dependent, has a brother who is a union inspector, was a leader in presenting a complaint before Conciliation and Arbitration Committee; uninterested in work because pregnant; has previously been in IBM and makes negative remarks about redundancy conditions.”

“Reasons for rejection due to health” include “pregnancy”. In addition, there is age discrimination: it is very hard for anyone over 30 to get a job in an electronics factory. (13)

A common feature of the interview process for jobs in the electronics industry is a “health test”, usually including urine and blood tests. Workers are not told the results of the tests. Pregnancy testing is the norm. Some employers are explicit about the purpose of the test, while others are vague: it is “to see if you have any illness”. (14)

According to Lupe: *“In the interview with Caspem, when I first went into IBM, they ran tests on me: they took X-rays and samples of urine and blood. They didn’t tell us what the tests were for, and we never saw the results. This seemed normal to me at the time – I didn’t know there was anything wrong with it. I mean, I assumed of course that they didn’t want people with any illnesses, or women who were pregnant, because they don’t want to pay for any time off. But until I met CEREAL I didn’t realise these were violations of our rights.”*

Women workers interviewed by CAFOD told how they were examined naked and asked intrusive personal questions such as, “Do you have a boyfriend?” “How often do you have sex?” and “Do you have children?”

Lupe's story

Lupe, 28, used to work in the IBM factory.

"I first met CEREAL in June 2001 when IBM tried to lower all our salaries across the different agencies. Oscar (16) left slips of paper in our lockers saying there was going to be a meeting. We had already decided individually that we weren't going to accept the cut. So 50 of us went to CEREAL. That's how our movement got started.

It really hit me, hearing about my human rights and labour rights for the first time. It was the first I knew about all the benefits we were losing through having the one-month contracts. I thought to myself, how can this be possible? The employers are doing exactly as they like and we don't even know it's wrong! Why should we be putting up with this? I just couldn't believe how the agencies were robbing us.

My own workmates were telling me to stop the activities with the group. But I said, 'I'm not having my salary cut. If you want to go along with it, that's up to you.' But it was so great going to the meetings with CEREAL. They took us to see the press, we went all over the place. And we won! After the press attention, they decided not to cut our salaries. I felt so good, so satisfied when we won. It was totally cool. Articles were published saying that because we had resisted, we had managed to beat IBM."

Jannet, 20, reported: *"I had to fill in a questionnaire; it had some really personal questions in it. They asked, 'How many boyfriends have you had? When did you last have sex? How many times? Do you have any sexually transmitted diseases?' I stopped filling in the answers."*

The agencies also visit potential recruits in their home, examine their possessions and interview their neighbours.

Recruitment agencies and workers' rights

Mexican labour law requires that employment agencies must provide exactly the same conditions as the ultimate employer. However, agencies avoid this provision by registering themselves as "manufacturing sub-contractors". The agency then employs workers on significantly worse terms than those of direct employees of the company, cutting employment costs by 10 to 40 per cent. This system has serious negative consequences for workers.

Short-term contracts

Juan Carlos Paez, from CEREAL, Mexico, a CAFOD Partner, said, *"About 90 per cent of the workers who come to us for help are from the electronics sector. This is partly due to the instability of the sector, with all the hiring and firing that goes on as big orders, or even entire companies, come and go. Of all the sectors we work with, electronics is the most volatile, and this leads to many violations of people's rights. The modus operandi of the electronics sector is what we call 'seagull capital' – it alights here in Mexico for a little while, then flies off to China or Taiwan.*

"The jobs of workers employed by agencies are constantly under threat. Workers are employed on consecutive short-term contracts of between 28 days and three months, and remain on such contracts sometimes for several years, although Mexican law bans this practice. Short contracts make it easier to 'hire and fire'. If there is a dip in demand, workers can simply be dismissed when their contracts expire. As a result, workers live in an atmosphere of constant insecurity and fear. Short-term contracts are particularly harmful to women, because they are used as a mechanism to avoid paying maternity benefits: when a woman becomes pregnant, her contract is simply not renewed. One worker, when asked what single change would improve her life immediately said: 'Permanent contracts!'"

- This case study is from the report Clean Up Your Computer. Working Conditions in the Electronics Sector, published by the aid agency CAFOD in 2004. CAFOD's research in

Guadalajara was facilitated by CEREAL, the Centro de Reflexión y Acción Laboral, which campaigns against violations of labour rights and provides legal and education counselling to workers in Mexico, including electronics workers in Guadalajara. CEREAL also researches working conditions in other economic sectors and helps workers to strengthen democratic practices in Mexican unions.

Notes

- (1) ECLAC, Foreign Investment in Latin America and the Caribbean 1999
- (2) Business Week, 6 August 2001.
- (3) ECLAC, Foreign Investment in Latin America and the Caribbean 1999
- (4) Ibid.
- (5) Inequality as measured by the Gini coefficient was 0.473 in 1984 and 0.539 in 2000.
- (6) Financial Times 14 December 2000
- (7) www.businesswire.com 7 January 2003
- (8) Information from CEREAL.
- (9) All worker interviews were carried out by Harriet Paterson during a research project carried out for CAFOD. Except where otherwise stated, information in this section of the report is taken from this background research.
- (10) Information from CEREAL.
- (11) Mexican factory where products are assembled from components for export.
- (12) The list was supplied by psychologist Aurea Juárez Martínez who was recruiting workers in an employment agency called PAT (Personel Asociado Temporal).
- (13) For example, Paty, now 47, an experienced and skilled circuit board worker, has been unable to get a new job in a factory.
- (14) Reported by workers, including Lupe, 28; Ramona, 24; Monica, 26, all recruited by an employment agency to work in the IBM factory; by Jannet, 20, recruited to work in a Flextronics factory; and Ana, 27, recruited to work in a Pemstar factory.
- (15) HP emails to CAFOD, 7 November 2003 and 11 November 2003.
- (16) Not his real name.

SRI LANKA: Unions heavily discouraged

Labour rights not enforced

Sri Lanka has a number of Free Trade Zones and Export Processing Zones established in the 1990s as the economy was liberalised. Foreign and local companies investing in the zones can benefit from financial concessions from the Sri Lankan government. The garments industry is the main activity in the zones, replacing traditional exports like tea and rubber to become the country's largest foreign exchange earner. Sri Lanka produces clothes for the major labels on the US and European markets, including Tommy Hilfiger, GAP, British Home Stores, Victoria's Secret and Next.

Trade union rights are seldom respected in Sri Lanka's Free Trade Zones (FTZs). The zones are managed by the government's Board of Investment (BOI), which, as well as acting as a one-stop shop for investors, sets wages and working conditions. Although Sri Lankan legislation grants workers in the zones the same rights to join unions as other workers, in the past, the BOI has discouraged union activity.

A new ICFTU report (1), published in March 2004, demonstrated serious weaknesses in the country's enforcement of core labour standards. The law providing for the recognition of unions for collective bargaining is undermined by excessive delays. The Labour Department is slow in certifying union membership. The 1999 Industrial Disputes (Amendment) Act, intended to protect workers against acts of anti-union discrimination, is not effectively applied and the maximum penalty of US\$ 250 not a deterrent.

Since the Act was adopted, many serious cases have been reported of anti-union discrimination, including at the Cosmos Macky factory in the Katunayake FTZ, a Korean/Sri Lankan joint venture company producing sports and ski wear for export; Fine Lanka Luggage Ltd., producing clothes for many internationally known companies; the Bensiri Rubber Products Branch, an Indian-owned company producing surgical gloves and hot water bottles for export; and Dulon Zippers, a Korean owned company making zippers for export as well as for the local market. (2)

Union representatives say that the Labour Commission, under pressure from the BOI, fails to prosecute employers who refuse to recognise or enter into collective bargaining with trade unions.

Union members regularly face intimidation, including threats of beatings from security guards, and new workers are warned not to join unions. Consequently, only a tiny proportion of workers in the FTZs are union members.

In a swift riposte to the ICFTU report, the BOI (3) claimed that the number of trade unions recognised inside and outside the Free Trade Zones has increased with the introduction of the European Union's special incentives trading scheme earlier this year.

Employees' Councils

Employers in Sri Lanka commonly resort to the creation of Employees' Councils as a substitute for trade unions. The Councils are funded by employers who are able to influence workers' choice of representation and how the councils operate. These Councils have been promoted in the export processing zones.

The Councils are regulated by the Board of Investment, a body responsible for trade and with no legitimate mandate for dealing with industrial relations. In its revised Guidelines for the Formation and Operation of Employees' Councils, published in June 2002, the BOI states that if a union represents 40 per cent of the workforce then it represents the workers in collective bargaining. If however, the union does not meet the minimum requirement, the Council can become the collective bargaining agent, if authorised by at least 40 per cent of the workforce.

The BOI calls for and receives nominations, arranges elections and convenes the first meetings of the elected Councils. The Councils must be registered with the BOI and subsequent changes notified. The BOI also gives itself the right to take up the matter of dispute settlement. According to its guidelines, if a dispute is not settled within 30 days, the Council shall address the matter to the BOI's department of industrial relations for settlement.

Fierce anti-union campaign at Jaqalanka

A fierce anti-union campaign was waged in 2003 at the Jaqalanka Ltd. factory in the Katunayake Free Trade Zone. (4) The aim was to prevent workers organising into the Free Trade Zone Workers' Union (FTZWU). Workers at the Jaqalanka plant had organised a work stoppage in protest against the factory's non-payment of the traditional "festival bonus." Until that year, the bonus, which amounted to one month's wages, had been paid each year since the beginning of the factory's operations in 1978.

Workers at the plant decided to join the Free Trade Zone Workers Union. Some 220 out of a total of 400 workers signed up. The management campaign against the union began in the run-up to the union certification poll. The management tried to prevent the union from achieving the 40 per cent of workers' votes required for its recognition as a bargaining agent.

Management's approach was lent support by the BOI. In May, Mr. Arjuna Mahendran, Director General of the Board of Investment, together with Katunayake officers of the BOI, visited the factory. He called a meeting of the newly-elected Employees' Council members and some office-bearers of the branch union, during which the union claims he advised workers to resign from the union, a claim the Chairman later denied.

On June 25, management called staff to two meetings in which they warned them against joining the union, made false claims against the union, stating, for example, that it was responsible for the closure of at least five factories, and asked workers to submit letters of resignation from the union. The following day, management told the General Secretary and two Executive Council members that they either had to resign from the union or resign from the company. A few days later, as Jaqalanka workers were gathering at the union's office for a meeting, an unknown man on a motor cycle reportedly monitored attendance at the meeting. The motorcycle was later traced back to Jaqalanka International.

Ahead of the election, the trade union lodged numerous allegations of employer intimidation, stating that the employer repeatedly threatened to close the plant if the workers voted for the union. A notice appeared on the canteen notice board which said, "Are you trying to close down the company that has been operating for many years? Make the correct decision." Under management orders, a supervisor circulated a copy of a letter, addressed to the Assistant Commissioner of Labour, which all workers and union office-bearers were asked to sign. The letter said Jaqalanka's workers resigned from the union, that they did not want a union and that they wished to work peacefully with management. The letter also stated that the workers had not been coerced into signing the letter.

The election – the first union election to be held in any FTZ for some time - was the scene of strenuous efforts by the company to deter workers from voting. Workers were summoned to vote by agents of the employer who pointedly reminded them: "*You are not interested, right.*" Groups of men massed near the polling site in apparent efforts to intimidate the mainly female workforce. Such was the intimidation that, on July 9, the day of the poll, only 17 of the 399 workers cast their votes, even though the union had a membership of 220 workers. Of these, 16 voted in favour of the union, and one vote was spoilt.

Assaults and harassment

Although management had achieved the result it wanted, the intimidation continued after the election. On July 17, a manager threatened to kill the FTZWU Branch Secretary. Ten days later, he was assaulted by five unknown men after attending a union meeting. On July 30, a woman union mem-

Workwear Lanka

Shortly after the dispute at Jaqalanka was settled in favour of the workforce, news broke of a new labour rights scandal in another free trade zone. The Free Trade Zones and General Services Employees Union (formerly the Free Trade Zones Workers Union) highlighted a dispute at Workwear Lanka (Pvt) Ltd where 100 workers were dismissed or demoted because of their support for the union. The management claimed that the workers were no longer needed, but at the same time recruited new workers from an agency.

The factory, located in the Biyagama Free Trade Zone, manufactures rubber-coated gloves for export. Approximately 700 workers are employed in the factory, 60 per cent of them women. Management launched an anti-union campaign after 263 workers at the factory joined the union in December 2003. One hundred workers were dismissed, demoted, transferred or suspended because of union membership or sympathies. Others were made to resign under threat of dismissal.

The government, represented by the Commissioner General of Labour, made several proposals for settling the dispute but, at the time of writing, the dispute was ongoing.(6)

ber who had taken part in the union certification election was threatened on her way home from work by four unknown men. They questioned her about her involvement in the union and told her that if she continued to be involved they would kill her. Both incidents were reported to the Katunayake Police, who claimed the statements were fabricated.

Pressure from the international trade union movement led the government to set up a team to investigate the matter. The management agreed to a rerun of the election. In view of the intimidation described above, however, the union felt that it would be impossible to hold a fair ballot. Instead, it sought to have the union recognised on the basis of a letter sent by the branch union in April containing 166 signatures of workers confirming their membership.

Workers at the factory described the climate of fear and intimidation to auditors from Colombia, a company buying garments manufactured at Jaqalanka. The same workers were subsequently called on to resign for speaking out about their experiences.

Justice at Jaqalanka

The dispute was finally settled in October, thanks to an international trade union campaign and the direct intervention of the Fair Labour Association, an NGO seeking to improve conditions for factory workers worldwide. The global textiles union confederation ITGLWF had also lodged a complaint with the ILO on behalf of the workers at the factory. Jaqalanka's management agreed to recognise the FTZWU branch union as its workers' representative and to end any victimisation of union members. The union agreed to call for the suspension of the complaint to the ILO. The agreement came as the Commission of the European Union was considering Sri Lanka's application to be included in the special incentives scheme under the EU Generalised System of Preferences.

Following the dispute at Jaqalanka, the Sri Lankan government introduced a number of changes to industrial relations policy. In March this year the BOI published guidelines (5) which promote respect for core labour standards and good practice in industrial relations, including the right to form and belong to trade unions, and the right to collective bargaining. The FTZWU reports that it now has greater freedom to operate in the zones, and has notched up organising successes in ten factories.

Sarah Perman

Notes

(1) Internationally-recognised Core Labour Standards in Sri Lanka. ICFTU March 2004

- (2) Annual Survey 2004. ICFTU
- (3) Daily News. Sri Lanka. 10/03/2004
- (4) Annual Survey 2004. ICFTU
- (5) Annual Survey 2004. ICFTU
- (6) Information on Clean Clothes Campaign website www.cleanclothes.org