



WORKER RIGHTS CONSORTIUM

**WORKER RIGHTS CONSORTIUM ASSESSMENT  
re ALAMODE S.A. (HONDURAS)**

**FINDINGS AND RECOMMENDATIONS**

**June 10, 2013**

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## **A. Introduction**

This report outlines the WRC’s findings and recommendations based on an assessment of working conditions at Alamode S.A., an apparel manufacturing plant located in Siguatepeque, Honduras. The town of Siguatepeque is located approximately two hours’ drive from the city of San Pedro Sula. Alamode is the only export clothing factory in this area. The factory is owned by a South Korean firm, the Hwa Corporation, and orders from customers are placed with the factory through a local buying agent, Grupo Karim.

This assessment was carried out pursuant to the WRC’s role as an independent monitor for the City and County of San Francisco (hereafter referred to as “the City”) of compliance with the City’s Sweatfree Contracting Ordinance (“Ordinance”), which sets labor rights standards for the manufacturers of apparel supplied to the City by its vendors.

<sup>1</sup> Alamode has been disclosed as a manufacturer of such apparel by Galls, which purchases the factory’s products from Fechheimer Brothers (“Fechheimer”), for fulfillment of the City’s Parking and Traffic Clothing Contract No. 81220. Galls is therefore required to ensure that labor conditions at Alamode comply with the provisions of the Ordinance.

The Ordinance requires suppliers, and their subcontractors, to comply with all applicable labor and employment laws of the country in which they operate, as well as certain additional labor standards including payment of a non-poverty wage and protections for the rights of women workers.<sup>2</sup> Nearly seventy other state, county and municipal governments across the country have adopted similar standards for their apparel vendors.<sup>3</sup>

The assessment was conducted by two WRC representatives, one of whom is based in Choloma, Honduras, and one of whom is based in the United States. The WRC’s assessment included offsite interviews with current and former Alamode workers, a review of relevant documentation, and physical inspection of the factory premises.

The WRC’s investigation uncovered several instances of noncompliance with Honduran law and the Ordinance, including in the areas of occupational health and safety, legally mandated health care benefits, wages and hours, legally mandated terminal benefits (severance pay), harassment and abuse, and freedom of association. This report should not be taken to state conclusions – neither findings of compliance or noncompliance – in areas not discussed explicitly in this report.

## **B. Methodology**

### **1. Sources of Evidence**

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<sup>1</sup> *Codified as*, San Francisco, Cal., Administrative Code, ch.12.U (“Code”) (2005), *as amended*, Feb. 11, 2010, <http://www.sfgsa.org/Modules/ShowDocument.aspx?documentid=6894>.

<sup>2</sup> *See*, Code, ch. 12.U.3. (a) (“Each Contractor and Subcontractor, regarding any Worker, shall comply with all human and labor rights and labor standards imposed by treaty or law on the country in which the Goods are made or assembled, and shall not engage in Sweatshop Labor.”).

<sup>3</sup> For a listing of such public entities, see: Sweatfree Communities, *Adopted Policies*, <http://www.sweatfree.org/policieslist>.

The findings outlined in this report are based on the following sources of evidence:

- Interviews with 15 current and former Alamode workers. With the exception of one person, all workers were interviewed individually and offsite, in locations chosen by workers;
- Interviews with Alamode's general manager and human resources manager;
- An onsite review of relevant documentation, including a sample of employee personnel files;
- A physical inspection of the factory concerning health and safety conditions; and
- A review of relevant Honduran labor and employment laws.

The WRC's investigative process relies on detailed worker interviews as its primary source of evidence and takes into account the critical importance of ensuring that such interviews are conducted in locations where workers can speak comfortably and candidly about workplace conditions. It is widely recognized among labor rights experts that offsite worker interviews are the most effective method for gathering detailed and accurate information about workplace abuses.

Recognizing the importance of such interviews, the WRC's investigative protocols dictate that:

- Interviews be conducted away from the factory, without the knowledge of factory management and by investigators with no connections, financial or otherwise, to the factory or its buyers;
- The investigator keep the names of interviewees confidential; and
- Interviews be arranged through local organizations that have the trust of workers and that representatives from those groups be involved in the interview process.

The WRC attempted to arrange interviews with Alamode workers through a Honduran nongovernmental organization, the Independent Monitoring Team of Honduras ("EMIH," from its Spanish acronym), based in San Pedro Sula, Honduras, which could reassure workers that the WRC both was operating with genuine independence from the factory and its customers, and would keep workers' names and personal information confidential.

However, the Alamode workers who were initially contacted were extremely reluctant to participate in interviews because, as they later reported to the WRC, Alamode management had repeatedly instructed workers not to talk to labor rights investigators and workers were afraid of the possible consequences if the factory learned that they had failed to comply with these orders. Although the WRC has encountered similar concerns on the part of workers during other factory assessments, the level of fear expressed by workers at Alamode was much higher than is usually found under comparable circumstances, and among the highest the WRC has seen in any factory assessment anywhere in the world.

Statements by Alamode management during the assessment confirmed the company's stance that workers should not speak to labor rights monitors about conditions at the factory in settings outside of the workplace (discussed further in Section 8 of this report). On the day of the factory inspection, Alamode's production manager complained to the WRC about the organization's policy of conducting offsite worker interviews.

Such practices by factory managers not only intentionally interfere with the ability of labor rights monitors to fully and accurately assess factory conditions, which is, itself, a noncompliance with the Ordinance, but also have a chilling effect on workers' right of freedom of association (if workers fear retaliation if they associate with external labor rights monitors, they will reasonably conclude that they risk retaliation if they associate with trade unions and other labor organizations). Further findings regarding respect for freedom of association at Alamode are included later in this report.

In order to counteract the climate of fear that Alamode's management had created among its workers concerning their speaking to WRC investigators, the WRC prepared the following written communication which WRC representatives distributed to workers outside the factory at the end of the workday (translated from the original Spanish):

As employees of Alamode S.A., a factory that manufactures products for the City of San Francisco through Fechheimer Brothers, you are entitled to protections under the City of San Francisco's Sweatfree Contracting Law. This Law requires that the factory comply with all Honduran labor laws, and it protects your right to speak with the Worker Rights Consortium about violations of labor rights in the factory without fear of retaliation. The City of San Francisco has commissioned the Worker Rights Consortium to investigate and monitor compliance with this Law and we hope that you will speak with us about conditions at the factory. We are not paid by the factory or its customers and will keep your name completely confidential. You can contact the Worker Rights Consortium's local representative at [phone number].

The purpose of this statement was to (1) inform workers about their rights under the Sweatfree Ordinance and (2) ensure that workers understood the WRC's role as an independent monitoring body and felt comfortable talking to the WRC without fear of reprisal. Several hundred copies of this statement were distributed to workers on Friday, May 25. It appears that this statement was at least somewhat effective, as a handful of workers did contact the WRC over the following several days.

### **C. Summary of Findings and Recommendations**

The following is a summary of the WRC's findings and recommendations to Galls and Fechheimer, as a buyer of apparel from Alamode:

<b>Findings</b>	<b>Violation of Ordinance<sup>4</sup></b>	<b>Recommendation for Galls and Fechheimer</b>
Alamode is not enrolling all workers in the government social security program, and in some cases, is waiting several months after employees are hired to enroll them in the program.	Yes	Ensure that all Alamode workers are enrolled in the social security system from their date of hire.
Alamode’s base wage does not meet the legal minimum wage.	Yes	Ensure that Alamode pays workers the legal minimum wage, without taking into account overtime hours and bonuses.
Overtime work is not voluntary	Yes	Ensure that all overtime work at Alamode is performed voluntarily.
In the annual process of liquidating employees’ severance benefits, workers are not paid the full amount to which they are legally entitled.	Yes	Ensure that Alamode provide workers with back-pay for any unpaid terminal compensation, and, going forward, pay workers the legal amount to which they are entitled.
The practice of mandatory pregnancy testing may still be occurring.	Yes	Ensure that Alamode does not conduct such testing.
Alamode management engages in verbal, sexual, and physical harassment of workers.	Yes	Ensure that Alamode management does not engage in harassment of workers, that the factory implements a disciplinary system for managers, and conducts trainings for managers on appropriate treatment of workers.
Alamode does not provide workers with certain personal protective equipment, such as needle guards, and does not enforce the use of protective face masks.	Yes	Ensure that all workers are provided with all necessary personal protective equipment and are trained in the importance of its use.
Very few workers knew how to operate the factory’s fire extinguishers.	No	Ensure that Alamode conducts biannual workplace trainings on the proper use of fire extinguishers.
The restroom facilities are not kept clean or in full working order and toilet paper and soap is not provided. Workers’ use of the restrooms is restricted.	Yes	Ensure that Alamode keeps the restrooms clean and in full working order, provides toilet paper and soap, and allows workers free access to restrooms.
Alamode does not maintain an accurate injury and accident log.	Yes	Ensure that Alamode establish a complete workplace injury and accident log.
The factory lacks a functioning health and	Yes	Ensure that Alamode maintain an

<sup>4</sup> Includes violations of Honduran labor law, per San Francisco Admin Code, ch. 12.U.3. (a) (“Each Contractor and Subcontractor, regarding any Worker, shall comply with all human and labor rights and labor standards imposed by treaty or law on the country in which the Goods are made or assembled.”)

<p>safety committee. Workers are not free to exercise their associational rights without fear of retaliation.</p>	<p>Yes</p>	<p>active health and safety committee. Ensure that Alamode issues a statement to workers reiterating the factory’s respect for their associational rights and arranges for a labor rights training by an outside organization.</p>
<p>Management told workers not to talk to WRC investigators and told workers that the factory would close if they did.</p>	<p>Yes</p>	<p>Ensure that Alamode communicates to workers that they are free to talk to the WRC and other outside investigators and should engage in ongoing, external monitoring of the factory.</p>

**1. Legally Mandated Health Care Benefits**

Findings

Employers in Honduras are required to enroll all workers in the *Instituto Hondureno de Seguridad Social* (IHSS), which is a national government health care system funded by legally required contributions from employers, employees and the government.<sup>5</sup> The WRC found that, according to the company’s most recent payroll documents, at least 25% of the workforce has not been enrolled in IHSS and is not having corresponding deductions made from its paychecks.

Workers told the WRC that new employees are not automatically enrolled in IHSS and that it can take several months or more before new employees are able to access IHSS benefits. One worker, who had been employed at the factory for more than six months and had not yet been enrolled in IHSS, stated that, “When I went to ask about it, they told me that they were making a list [of workers to be enrolled] and that I wasn’t on it yet and that I should wait because there are other people who are waiting for longer than I had been waiting.”

When WRC asked Alamode’s management why not all workers were enrolled in the IHSS, Alamode’s management stated that when workers begin working at the plant, the management waits one month before enrolling them. When the WRC pointed out that many of the workers who were not enrolled had been employed at Alamode for longer than one month, the management then asserted that these individuals did not want to be enrolled, in part, it claimed, because of problems with the clinic with which IHSS contracts in Siguatepeque.

IHSS has recently replaced this clinic, however, with a different provider with newer facilities. Moreover, IHSS enrollment is legally mandatory for all employees. Therefore, the WRC does not find Alamode management’s excuses for not enrolling its workers to be credible. The WRC notes that by delaying enrollment of workers in the program the

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<sup>5</sup> Legislative Degree No. 140; Regulation of the Application of Social Security Law, Decree No. 193-1971; Regulation of the Preventative Measures of Workplace Accidents and Work-Related Illness, art. 9.

company reduces the total amount of enrollment fees that it would otherwise have to pay IHSS each month.

### Recommendations

The WRC recommends that Galls and Fechheimer ensure that all Alamode workers are enrolled in the IHSS system from the date that their employment begins.

## **2. Wages and Hours of Work**

### *a. Wages*

#### Findings

Section 12U.3 (b) of the Ordinance states:

Each Contractor and Subcontractor shall pay at least the following minimum wages to Workers: (1) to Workers working in the United States a base hourly wage, to be set and adjusted annually by the Director, to produce for 2,080 hours worked, an annual income equal to or greater than the U.S. Department of Health and Human Services most recent poverty guidelines for a family of three plus an additional 20 percent of the wage level paid, including without limitation amounts paid as hourly wages or health benefits or retirement benefits; and (2) for Workers working in countries other than the United States, a wage, to be set and adjusted annually by the Director, that shall be comparable to the wage for domestic manufacturers established above, adjusted to reflect the country's level of economic development by using the World Bank's most recent Gross National Income per capita Purchasing Power Parity Index.

San Francisco has established a non-poverty wage standard under which workers producing goods manufactured in Honduras, that are purchased by the City of San Francisco's vendors, must be paid the equivalent of US \$0.88 per hour.<sup>6</sup> Converted to Honduran lempiras using the exchange rate of 18.72 lempiras per dollar,<sup>7</sup> the applicable non-poverty wage amounts to 16.48 Honduran lempiras per hour.

Under Honduran law, the minimum wage for workers in the Export Processing Zones is 19.36 lempiras per hour or 4,645.34 lempiras per month, exclusive of any overtime hours.<sup>8</sup> According to the factory's payroll document, Alamode is complying with the minimum wage requirement.

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<sup>6</sup> Office of Labor Standards Enforcement (San Francisco, Cal.), *Sweatfree Contracting Ordinance (Administrative Code Chapter 12U) International Wage Rates (2012)*, <http://www.sfgsa.org/modules/showdocument.aspx?documentid=8457>.

<sup>7</sup> See Interbank Exchange Rate, May 25, 2012, [www.oanda.com/currency/converter](http://www.oanda.com/currency/converter).

<sup>8</sup> Acuerdo No. STSS-001-2012, El Presidente de la Republica.



Workers reported to the WRC, however, that they are paid a base wage of 1,800 lempiras every two weeks, and that with overtime, they are typically paid, in total, 2,000-2,200 lempiras every two weeks. The base wage reported by Alamode workers, therefore, amounts to 3,900 lempiras per month, significantly below the legal minimum. This finding is underscored by the fact that the highest wage workers reported receiving, *including overtime*, amounted to 4,766.00 lempiras per month -- barely higher than the legal minimum *base wage*, i.e., *not* including overtime.

### Recommendations

The WRC recommends that Galls and Fechheimer direct Alamode to pay all workers a base wage that is in compliance with the legal minimum wage, such that they are paid the legal minimum for a regular workweek. The WRC also recommends that Galls and Fechheimer direct Alamode to pay all workers back pay for the amount to which they were legally entitled under the minimum wage law, per the statutory requirements of Honduras.

The WRC further recommends that the City engage in a review of its non-poverty wage rate policy, particularly with regard to Honduras. The WRC observes that in Honduras, the City's non-poverty wage rate is actually lower than the legal minimum wage. As the WRC has estimated that the legal minimum wage in most-garment producing countries is approximately one-third to one-half, and in some countries even lower, than a living wage, it appears that the method that the City is using to calculate the non-poverty wage does not accurately reflect the local cost of living, at least as applied to Honduras. The WRC is prepared to assist the City in developing a non-poverty wage figure for each country that ensures workers a decent standard of living.

### *b. Hours of Work*

#### Findings

During offsite interviews, workers reported to the WRC that, contrary to the requirements of the Ordinance,<sup>9</sup> overtime work is not voluntary. Although management circulates a piece of paper asking workers to sign if they wish to work overtime, workers state that they feel pressured to sign the paper and that supervisors will yell at workers if they refuse to do so. One worker stated, when asked by the WRC investigator whether overtime work is voluntary, "They never ask; they tell us. They say, 'You have to stay until 9:00 pm or later.' It depends on the job because they force us to work overtime. We

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<sup>9</sup> The Ordinance requires that all overtime shall be worked voluntarily unless mandatory overtime is permitted pursuant to an applicable collective bargaining agreement, a condition not present in this case. *See*, Ordinance § 12.U.3(g) ("All overtime hours worked beyond 48 hours of working time per work week shall be worked voluntarily, except mandatory overtime above that 48-hour mark is permitted if each of the following conditions is satisfied: (1) the law of the country of manufacture permits mandatory overtime, (2) the manufacturing facility is party to a collective bargaining agreement that permits mandatory overtime, and (3) the mandatory overtime hours are worked in conformance with the collective bargaining agreement.").

can't say that we don't want to, or we can't stay, because, if we do, they get mad and they tell us to leave and not come back the next day to work because we won't have work.”

### Recommendations

The WRC recommends that Galls and Fechheimer urge Alamode to communicate clearly to workers and supervisors, via written and verbal statements, that all overtime work must be voluntary. Communications to this effect should be issued every three to four months, and training should be provided to supervisors on non-coercive implementation of the factory's overtime policy.

### **3. Legally Mandated Terminal Benefits**

#### Findings

The WRC found that Alamode engages in a process of annual liquidation of statutory severance benefits in which workers' contracts are terminated at the end of December and new contracts are signed that begin early the following January. Upon terminating its employees' work contracts, Alamode, at the end of each calendar year, pays its workers severance benefits that are required under Honduran law. In calculating the amount of severance pay owed to its workers, Alamode considers each worker to have been employed at the factory for slightly less than one year.

Because, under Honduran law, workers' rate of accrual of severance benefits increases with their duration of employment, terminating employees on an annual basis results in their accruing substantially less severance pay than workers who are permitted to continue working under the same contract and, thereby, increase their seniority. Moreover, when workers cease working at the factory, the company does not pay them the entire amount of severance benefits to which they are entitled.

Honduran law is clear that, regardless of the length of the contract(s) under which a worker is employed, a worker accrues seniority, including for the purpose of calculating statutory severance pay, when they perform a job for the same employer on a continuous basis. So even if a worker is employed for a single employer under a series of short-term contracts, as long as she continues working at the same facility, performing the same or similar tasks, her period of employment is considered to be continuous, and her terminal benefits should be calculated based on the date the worker was first employed at the facility.<sup>10</sup>

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<sup>10</sup> Article 47 of the Labor Code states in its entirety (WRC translation):

Contracts that are relevant to work that is, by nature, permanent or continuous are considered to be indefinite, even when a period of duration has been expressed if, at the time that said contracts expire, the circumstances which gave rise to the need for the employment or the purpose for the services or the execution of the same or analogous work still exists. The time of service is counted starting at the date that the labor relationship begins even if it does not coincide with the date on the written contract. As a consequence, contracts for a set period of time for a determined job are

Under the Honduran Labor Code, workers accrue terminal benefits in the form of both severance pay and vacation benefits. With respect to severance pay, after a worker has completed one continuous year of employment, she earns an amount equal to one month's salary for each year worked for the employer, and for any additional period of employment of less than one year, a proportional amount, with a maximum total benefit of eight months' salary. An employee who has worked at the factory between three and six months receives ten days' salary, and an employee who has worked at the facility for between six months and one year, twenty days' salary.<sup>11</sup>

When, at the end of each calendar year, Alamode terminates all its employees so it can rehire them on new, one-year contracts, severance payments are calculated as though these workers only had been employed at the facility for between six months and a year, for which they earn twenty days' salary, rather than at the rate applicable to their actual duration of employment -- i.e., one month of salary or approximately thirty days' pay per year of service for workers who have been continuously employed for one or more years.

The total amount by which Alamode is underpaying each worker who has worked at the plant for a year or more is equivalent to the difference between the twenty days' salary (what they are currently paid), and one month's salary for each year of continuous service (what they legally have earned), resulting in an underpayment of approximately ten days of salary per year. As Alamode management has informed the WRC that at least one employee has worked at the factory for fourteen years, this means that some workers may be owed more than 140 days' wages in unpaid severance benefits.

With respect to accrued vacation benefits, Honduran law similarly mandates that workers earn a specific number of paid vacation days each year, calculated based on the length of their employment. Furthermore, the law requires that when a worker's employment ends, for any reason, the worker must be paid an amount equivalent to the number of accrued, unused vacation days she possesses. As with terminal compensation, the number of vacation days that workers accrue increases with longer their length of service in the same position. According to Honduran law, workers accrue annually: after one year of

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an exception and can only be drawn up in those cases which are determined by the accidental or temporary nature of the service that is to be done or of the job that is to be executed.

<sup>11</sup> Article 120 of the Honduran Labor Code outlines the amount of severance, which is determined by the worker's tenure in the facility, as follows:

- After continuous employment of no less than three (3) months and no more than six (6) months, an amount equal to ten (10) days of salary;
- After continuous employment of more than six (6) months but less than one (1) year, an amount equal to twenty (20) days of salary;
- After continuous employment of more than one (1) year, an amount equal to one (1) month of salary for each year worked, and for any additional period of employment of less than one (1) year, a proportional amount;
- Up to a maximum limit of eight (8) months of salary.

service, ten vacation days; after two years of service, twelve vacation days; after three years of service, fifteen vacation days; and after four or more years of service, twenty vacation days.<sup>12</sup> By failing to take into account workers' actual length of service when calculating the number of vacation days workers have accrued, Alamode also underpays workers for their unused vacation days when it terminates their contracts at the end of each year.

### Recommendations

The WRC recommends that Galls and Fechheimer urge Alamode to (1) pay all workers who have been dismissed from or otherwise permanently left the facility the full amount of severance and vacation benefits owed to them, calculated based on their total length of service at the plant. If workers already have received a portion of these benefits through the annual liquidation process, management should pay them the difference between what they have already received and the amount they are due under Honduran law; and (2) offer all workers who remain employed at the facility the choice of whether they wish to be paid their terminal benefits at the end of each calendar year or to continue to accrue these benefits at the legally-mandated rate.

Honduran law requires that workers be paid severance benefits at the end of their employment contract. If Alamode continues to sign one-year contracts with its employees, it would be appropriate for the company to continue to pay workers their severance benefits every year, so long as the it accounts for workers' total lengths of service.

As stated in Article 47 of the Honduran labor code, however, even if a worker is employed on a series of short term contracts, she should be considered a permanent employee if her employment at the facility is continuous. Therefore, it would also be appropriate for Alamode to wait to pay employees their severance at the end of their employment at the facility, rather than at the end of each contract term.

## **4. Gender Discrimination**

### *a. Pregnancy Testing*

#### Findings

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<sup>12</sup> Article 346 of the labor code outlines the number of vacation days to which a worker is entitled per year of service based on his or her tenure as follows:

- After one (1) year of continuous service, ten (10) consecutive working days;
- After two (2) years of continuous service, twelve (12) consecutive working days;
- After three (3) years of continuous service, fifteen (15) consecutive working days; and,
- After four (4) years or more of continuous service, twenty (20) consecutive working days.

The WRC found some evidence to suggest that annual, forced pregnancy tests for all female employees may be occurring at Alamode. In offsite interviews, multiple workers reported to the WRC that this practice is taking place, although this information was not corroborated by all interviewees. One worker told the WRC that an operator who had received a positive pregnancy test was immediately fired.

Another worker testified that although she was pregnant when the annual test was administered in 2011, Alamode's management did not fire her. She suspects this outcome was due to her having already completed the two month probationary period. The worker stated, "That is how it is there, yes they do the test and if you are pregnant and haven't been there for two months you are out. "

Given worker testimony that this practice had existed in the past and this worker testimony in 2012, there is a substantial likelihood that Alamode is requiring female workers to undergo annual pregnancy tests, presumably for the purpose of terminating workers who are found to be pregnant.

### Recommendations

The WRC recommends that Galls and Fechheimer take steps to guarantee that Alamode immediately cease the practice of requiring female workers to undergo annual pregnancy tests. Furthermore, Galls and Fechheimer should ensure that Alamode provides the WRC with access to documents relating to the termination of all female probationary employees over the last three years, to determine the cause of these terminations.

## **5. Harassment and Abuse**

### *a. Nonsexual Verbal Harassment*

### Findings

The Honduran Labor Code requires that workers not be subjected to verbal harassment or abuse in the workplace.<sup>13</sup> Several workers gave detailed and mutually corroborating testimony regarding verbal abuse by managers, especially when the latter felt that workers were not working fast enough, or when the factory was rushing to complete an order. One worker said,

For example, they will authorize me to look over a group of 120 pieces and, if any of the pieces aren't right when they go to the final audit, then they [the managers] will yell at me, and I don't like that because it is humiliating. The plant manager, Cesar Casula, yells at us a lot and other bosses like Hector do the same thing and they do it more when the shipments have to go out, they pressure us more and yell at us.

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<sup>13</sup> Honduran Labor Code, art. 95, § 6 ("Give the workers due consideration, abstaining from mistreatment, in words or actions, or acts that could affect their dignity.").

## Recommendations

The WRC recommends that Galls and Fechheimer ensure that Alamode supervisors and managers do not engage in verbal harassment of workers, including refraining from yelling, screaming, shouting, and using abusive language. Galls and Fechheimer should also ensure that Alamode takes effective disciplinary measures against managers and supervisors who verbally abuse workers, up to and including termination. Training should be provided to all managers and supervisors regarding proper treatment of workers.

### *b. Sexual Verbal Harassment*

#### Findings

In offsite interviews, workers told the WRC that manager Cesar Casula has made sexually-tinged comments to several female employees under his supervision. One worker described an incident in which a coworker who was being harassed by another employee went to Casula to complain about this problem. Casula allegedly told the employee, “If you give me a kiss, I will resolve your problem,” implying that he would only intervene on her behalf if she agreed to his request. Other employees indicated that Casula had stated that their jobs would be secure if they “went and ‘lived’ with him.”

The City’s Ordinance prohibits “any . . . sexual . . . harassment” including “illegal discrimination.”<sup>14</sup> Casula’s conduct violates that provision because it suggests that he will provide more favorable treatment to workers who agree to “kiss” or “live with” him. Such comments, even if made in jest, are inappropriate, because they suggest to workers that managers may in fact be offering employees a sexually-based quid pro quo.

## Recommendations

Although the WRC found no evidence that more serious sexual harassment, beyond these discriminatory comments, is taking place at the factory, Galls and Fechheimer should ensure that Alamode provide training to its managers and supervisors about sexual harassment and ensure that disciplinary procedures are in place should any individual engage in this conduct.

### *c. Physical Harassment and Abuse*

#### Findings

When asked by the WRC about physical abuse in the factory, multiple workers described abusive treatment by Glenda Mejia, who had previously supervised workers in the plant’s pressing room. Mejia reportedly hit and pushed workers, including slapping a worker in the face, and would not allow workers to visit the factory’s nurse when they felt ill. According to one interviewee, Mejia engaged in such physically abusive conduct as

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<sup>14</sup> Ordinance, § 12.U..3 (h).

frequently as three times per week and, although workers complained to manager Casula about her, no disciplinary action was taken by the company. According to worker testimony, Mejia was ultimately discharged from the factory because her production levels had decreased, not because of her treatment towards workers.

### Recommendations

Although it is a positive development that Mejia is no longer employed at the facility, workers believe that she was fired for productivity reasons, and not as punishment for her physical abuse of employees. Because Mejia's conduct was so widely known in the factory, and because complaints to management about her behavior were apparently disregarded, it is important that the factory send a strong message to workers that physical abuse will not be tolerated and that workers have the right to complain to managements about any problems in this area. The WRC recommends that Galls and Fechheimer issue a statement to this effect, both verbally and in writing, and ensure that any future allegations of physical abuse by Alamode's management are fully investigated.

## **6. Occupational Health and Safety**

### *a. Personal Protective Equipment and Furniture/Ergonomics*

#### Findings

Under Honduran law, employers are required to provide workers with personal protective equipment (PPE) and ensure that it is used properly to prevent workplace injuries.<sup>15</sup> Although the law does not specifically require the provision of needle guards on sewing machines, they are considered a basic element of occupational health and safety in apparel manufacturing, and are the only protection workers have between their fingers and the fast-moving needles of these machines.

Workers told the WRC that the factory only provides needle guards on sewing machines, on days when audits by outside parties were scheduled to take place. According to worker testimony, the factory provides workers with needle guards in advance of such audits, and then collects them again once the audit is complete.

In addition, on the day when the WRC visited the factory only one worker was observed wearing a face mask. Workers reported to the WRC in offsite interviews that the factory

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<sup>15</sup> Regulation of the Preventative Measures of Workplace Accidents and Work-Related Illness, Arts. 260 ("The use of personal protection measures will be obligatory when it is not possible to employ collective protection measures or if these measures do not guarantee a total protection of the work-related risks."); 272 ("The company owner is under the obligation to: (a) Provide all of the workers with the necessary accessories for proper conversation with regards to personal protection or its components according to the respective characteristics and needs; (b) Instruct their workers on the proper use and conservation of personal protection, provide them with precise training, and teach them about their limitations; (c) Determine the places and work stations where some means of personal protection is necessary.").

provides face masks but that it is too hot inside the building to wear them, and that workers in the cutting department are provided with gloves but are not required to use them.

Under Honduran law, factories must provide the necessary furniture for workers to carry out their work safely. Though the law does not specifically state that employers must provide ergonomic furniture, making basic provisions for worker safety in this area, is an essential element of any effective health and safety program. The WRC observed that some employees whose jobs require them to work in a standing position were not provided with cushioning floor mats, another basic health and safety provision.

### Recommendations

The WRC recommends that Galls and Fechheimer urge Alamode to provide maintenance and regular checks to ensure that all sewing machines have functional needle guards, and that all work stations where employees stand to perform their jobs are equipped with cushioning floor mats. The WRC also recommends the implementation and enforcement of a policy requiring that PPE, including masks, gloves and needle guards, be used at all times. Alamode should conduct training for workers on the importance and use of PPE.

#### *b. Fire Safety Training*

### Findings

Although the factory was found to comply with Honduran law regarding the provision of fire extinguishers and maintained a record of monthly inspections of the extinguishers, according to management, only one to two persons per extinguisher are trained in their use. In offsite interviews, workers confirmed that very few of their colleagues at the factory had been trained on how to properly operate the extinguishers. Though this is not technically a violation of Honduran law or the Ordinance, it does raise serious concerns about the extent to which fire extinguishers could be used effectively by workers in the event of a fire.

### Recommendations

The WRC recommends that Alamode conduct biannual workplace trainings for all workers on the use of fire extinguishers.

#### *c. Restroom Facilities*

### Findings

Honduran law includes specific requirements regarding the number of toilets that must be provided in a workplace and requires that restroom facilities be kept in a clean, hygienic



condition.<sup>16</sup> During its inspection of the factory the WRC found that in the women's restroom several of the toilet stalls were either broken or closed for use; that there was only one bar of soap available; that two of the sinks were dirty; and that only one roll of toilet paper was provided. In the men's restroom, there was only one bar of soap and one roll of toilet paper available, and several of the sinks were in an unhygienic condition. Although there was a log posted to indicate that the restrooms are supposedly cleaned every three to four days, conditions in the restrooms did not reflect this.

During offsite interviews, workers reported to the WRC that soap and toilet paper are never provided in the restrooms, except when a factory audit is expected. Workers also reported that supervisors would scold workers if the latter appear to be taking too long in the restroom or using the restroom too frequently - reportedly more than one to two times per day. Said one worker, "There is never any toilet paper or soap to wash our hands. We can go to the bathroom but we can't take too long or go too often because they start to get after us or might even call us out of the bathroom. Frequently they send the security guards to call us out of the bathroom."

### Recommendations

The WRC recommends that Galls and Fechheimer urge Alamode to repair all broken toilets and stalls, provide adequate soap and toilet paper, and designate one or more persons to clean the restrooms at least once a day, or more often if conditions necessitate. Workers should be given free access to restrooms at all times, and supervisors should not place undue restrictions on their use.

### *d. Workplace Injury and Accident Log*

### Findings

Honduran law requires that employers maintain a workplace accident log to record any occupational injuries or accidents.<sup>17</sup> Although the factory appears to maintain an injury log, according to worker interviews, the log is inaccurate. The WRC examined the log for 2011 and 2012 and found that, in the 2011 log, a substantial number of the pages were photocopied with the following text: "*No se reportado ningun accidente en la planta,*" (in English, "No accident was reported in the plant"). The remaining pages in the 2011 log had the same phrase, but were not photocopies. In the 2012 log, every single page had the same phrase handwritten in the same handwriting.

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<sup>16</sup> Regulation of the Preventative Measures of Workplace Accidents and Work-Related Illness, arts. 70 §§ 2 ("There will be at least one toilet for every fifteen workers.") 5 ("The toilets and urinals will be installed and conserved in a disinfected and deodorized condition.") and 72 ("The floors, walls, and ceiling of the toilets, sinks, showers, changing rooms, and cleaning rooms will be continuous, smooth, and impermeable, painted in a light color with materials that allow for them to be cleaned with liquid disinfectant or antiseptics with the necessary frequency. All of the elements, such as faucets, drains, and showers, will always be in a perfect state of functioning and the stalls and seats will be apt for use.").

<sup>17</sup> Regulation of the Preventative Measures of Workplace Accidents and Work-Related Illness, art. 9.

When asked by the WRC when the most recent accident at the factory had occurred, Alamode's production manager responded that there had never been an accident in the factory. The WRC finds this to be an entirely non-credible assertion, given the size of the workforce and the general absence of PPE in the plant, particularly needle guards. Indeed, workers interviewed by the WRC specifically discussed two significant incidents where employees had suffered non-trivial injuries at the workplace. Multiple workers reported an incident in which Glenda Mejia, whose behavior is also described in the above section regarding Physical Harassment and Abuse, stabbed a worker in the neck with a pair of scissors. Ms. Mejia was not reprimanded for her actions and the worker, who was not enrolled in IHSS, had to pay for her own medical treatment. Workers also recounted a separate incident in which an employee in the ironing department suffered a burn on her hand and wrist, from which she still bears a large scar. The lack of any reference to these incidents in the factory's injury and accidents log suggests that the log has been falsified.

In addition, the log includes only very rudimentary information and, none of the pages had any discolorations or folds, suggesting that they may have been produced very recently.

### Recommendations

The WRC recommends that Alamode record in its log all workplace injuries and accidents, including the nature of the incident, the worker or workers involved, the type(s) of injury inflicted, and actions taken to prevent future such injuries/accidents.

#### *e. Occupational Health and Safety Committee*

### Findings

Under Honduran law, Alamode is required to establish and maintain an occupational health and safety ("OHS") committee, comprised of representatives of workers and management, whose membership is registered with the Ministry of Labor.<sup>18</sup> The roles of this committee are to identify potential health and safety problems in the facility, educate workers about OHS best practices, identify potential risks in the workplace, and carry out accident prevention programs. A majority of workers interviewed by the WRC offsite reported that the factory did not have an OHS committee. However, during the WRC's visit, Alamode asserted to the WRC that there was a functioning OHS committee and provided the WRC with a registry of meetings that included one to two sentence summaries of their proceedings. These summaries were extremely general and did not reflect any concrete plans to address OHS problems or improve OHS conditions in the facility. When asked by the WRC if actual minutes of these meetings existed, the Human Resources manager stated that there were no other records available and that any plan or program is developed and followed up on verbally.

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<sup>18</sup> Chapter VI of the Regulation of the Preventative Measures of Workplace Accidents and Work-Related Illness.

## Recommendations

Worker testimony and the superficial nature of the committee's meeting minutes indicate that the OHS committee either does not exist or, if it does exist, its presence has not had any apparent impact on OHS concerns. In any case, the WRC recommends that Galls and Fechheimer urge Alamode to ensure that there is a functioning OHS committee that meets regularly and performs all of the educational, oversight, and reporting functions described in the Honduran Regulation of the Preventative measures of Workplace Accidents and Work-Related Illness and keep a detailed log of its activities.

## **7. Freedom of Association**

### Findings

When asked how management would respond if workers tried to organize, workers interviewed offsite stated that management had told workers that they would not allow a union to form and expressed their belief that anyone who tried to do so would be fired, without receiving severance benefits, and would be made an example of to discourage other workers from trying to form a union. One worker stated, "The factory has told workers they won't allow a union, that they would rather fire you and not pay you any of the money you are owed and make sure everyone knew you were fired for wanting to organize; [they] told workers that the factory would close if there were a union." Because such threats are explicitly prohibited under Honduran law,<sup>19</sup> they violate the Ordinance's mandate that "No Contractor or Subcontractor shall subject any Worker . . . to illegal discrimination or retaliation for exercising his or her right to free speech and assembly or other rights protected under applicable labor or employment laws."<sup>20</sup>

### Recommendations

Galls and Fechheimer should urge Alamode to issue a statement to workers, verbally and in writing, that the factory respects workers' associational rights and that workers will not be punished in any way for exercising their right to join an organization of their choosing. Galls and Fechheimer should also encourage Alamode to arrange for an outside labor rights organization, such as a non-governmental organization or trade union, to conduct an onsite training for workers concerning their associational rights.

## **8. Vendor Requirements Regarding Subcontractor Compliance with San Francisco Ordinance**

### Findings

Sections 12U.3 (l) and 12U.3 (m) of the Sweatfree Contracting Ordinance state:

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<sup>19</sup> Labor Code, art. 469 (making it illegal for "any person, by means of . . . threats, to restrict, in any form, freedom of association in unions").

<sup>20</sup> Ordinance, § 12.U.3 (h).

Each Contractor and Subcontractor shall be responsible for ensuring the Subcontractor's compliance with this Chapter.

Contractors and Subcontractors shall demonstrate commitment to best practices and continuous improvement in management practices to eliminate Sweatshop Labor, including the right to freedom of association and collective bargaining. No Contractor or Subcontractor shall subject a Worker to harassment, intimidation or retaliation as a result of his or her efforts to freely associate or bargain collectively.<sup>21</sup>

As noted in the Methodology section of this report, workers exhibited an unusually high level of fear when asked to participate in offsite interviews, which appeared to be the result of repeated directives from the factory management to refrain from talking to labor rights investigators. According to worker testimony, in the days leading up to the WRC's inspection, Factory Manager Cesar Casula held at least one meeting in which workers were instructed to either to provide false information about conditions in the factory or to refrain from talking to WRC investigators. These same instructions were repeated to workers via the factory's loudspeaker prior to the WRC's visit.

Workers testified that Casula told employees that he would know if they spoke to the WRC about problems at the factory and that, if workers told the truth about conditions, the factory would close (presumably because customers would withdraw their orders in response to a negative report) and workers would be left jobless. Workers told the WRC that this type of coaching has also occurred before other factory audits.

Said one worker,

Cesar [Casula] said the other day, "I am going to find out who has made the factory look bad. I know because the numbers are being registered and I can found out what numbers they are calling[.]" . . . He made reference to you [the WRC] and said, "I am going to find out who has been calling and I am going to put them up front." So people are afraid because you can imagine, right now I am taking a big risk because what happens if he finds out.

Another worker said,

We don't say anything because whenever there is an audit Cesar knows it's going to happen and threatens us during a meeting the day before and early in the morning (the same day) before the visitor arrives. He tells us what we are supposed to say and he says this in a general meeting and then he says it over the loudspeaker. He's very bold and tells us, "On such and such a day there will be an audit and you know what you have to say because the person who says something else, I will find out. These people (the auditors) tell me and I'm going to find

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<sup>21</sup> Office of Labor Standards Enforcement (San Francisco, Cal.), *Sweatfree Contracting Ordinance (Administrative Code Chapter 12U) International Wage Rates* (2012), <http://www.sfgsa.org/modules/showdocument.aspx?documentid=8457>.

out.” The day that you were going to arrive he told us, “I don’t want you to say one word at all because if you all start saying that there is no medicine and there is this and that problem, the factory is going to leave and those who will lose are you all.”

Mr. Casula’s statements to workers that the factory would close if they spoke honestly to WRC investigators created a climate of fear and intimidation among the factory’s workers that is amongst the worst the WRC has ever seen. Although the WRC was successful in conducting several offsite interviews, most of the workers who were interviewed expressed serious concern that they would face retaliation if management knew they had participated in such interviews, and they were reluctant to provide the WRC with their contact information or contact information for other workers in the facility.

Furthermore, on the day of the factory inspection, Alamode’s production manager complained to the WRC about the organization’s policy of conducting offsite worker interviews, a protocol which is widely recognized by labor rights experts as the most effective tool for gathering accurate information about workplace conditions. The factory manager’s complaint, and the statements made to workers by Mr. Casula demonstrate a substantial resistance on the part of the factory’s management to the WRC’s investigative process.

The Ordinance requires that subcontractors “demonstrate commitment to best practices and continuous improvement in management practices to eliminate Sweatshop Labor...”<sup>22</sup> Best practices and continuous improvement dictate that factory management refrain from interfering, in any way, with the WRC’s monitoring of their compliance with the Ordinance and cooperate in good faith with WRC investigators. Instead of doing so, on numerous occasions, Alamode’s management attempted to coerce workers to provide false information to the WRC and even went so far as to complain to the WRC about its investigative methods.

Additionally, in offsite interviews, workers told the WRC that a representative of Fechheimer had been present in the factory the day before the WRC’s audit, instructing Alamode on changes that needed to be made in advance of the inspection. One worker stated:

One day before you [the WRC] came to the plant, Fechheimer was there giving an orientation about who you were and what you were doing and then they started to fix things up, [such as] the filters because they [Fechheimer’s staff] were telling them [the managers] [that] they had to be fixed[;] Cesar said [that] today they [Fechheimer] are going to give us an orientation and tomorrow is the audit,. [They told us that] [i]t is a woman that is going to come [from the WRC] and then we saw that a man came first[,] they told us, “You don’t have to be afraid of him, he is from Fechheimer[.]”

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<sup>22</sup> Ordinance § 12.U.3 (m).

The Fechheimer representatives, I sort of saw them, the truth is that Cesar was walking around with them. I saw that they fixed the filter [on the water filtration system] and that they went into the boiler room and then to the first aid kits, giving them an orientation about which medicines they should put, giving them an orientation on cleanliness, because at this same time they started to call in the cleaning crew.

### Recommendations

Galls and Fechheimer should ensure that Alamode communicates to workers, both verbally and in writing, that they are free to talk to the WRC, and other outside investigators, at any time and will not face retaliation for doing so or for providing accurate testimony to investigators about conditions.

Galls and Fechheimer should engage in regular, ongoing monitoring of conditions at Alamode to ensure that the violations outlined in this report are corrected, and to prevent new problems from arising rather than waiting to intervene, as it appears has been the case here, until the WRC has launched its own assessment of the factory.