

**Final Report: Gildan Activewear (Honduras)  
Maquila Solidarity Network, Workers Rights Consortium, Independent Monitoring Group of  
Honduras (EMIH)  
September 27, 2006**

This report is the second and final update on the verification of Gildan Activewear's compliance with an agreement reached in January 2005 with the WRC and the Maquila Solidarity Network (MSN) aimed at remedying code of conduct violations related to a mass termination of workers that accompanied the closure of Gildan's El Progreso facility in Honduras. Central to the agreement was Gildan's commitment to providing priority hiring opportunities to former El Progreso workers.

The investigation found, in short, that Gildan did not comply with the agreement during a key early stage of implementation, though Gildan's compliance with the accord improved in later stages and was accompanied by other constructive measures. Generally speaking, we must report that the agreement did not lead to substantial remediation of the wrongful terminations that the agreement was motivated to address. As discussed below, given the difficulties posed by the mass termination and the time that had elapsed between the closure and the agreement's adoption, it is unlikely that the harm done to the workers involved would have been fully remediated even if the agreement had been fully adhered to.

## **Background**

In August 2004, Gildan Activewear closed its sewing facility in El Progreso, Honduras, terminating the employment of roughly 1,800 workers. The closure and mass termination took place during the course of negotiations between Gildan, the WRC and the FLA regarding steps to remedy code of conduct violations in the facility. As discussed in previous communications, an inquiry by the WRC into the cause for the closure found strong evidence indicating that the decision to shut down the plant was motivated, at least in part, by a desire to put an end to the investigation and remediation process and to scuttle a unionization effort among the facility's employees. Based on this evidence, the WRC concluded that the closure and mass termination violated university codes of conducts and, along with the Maquila Solidarity Network, asked Gildan to take steps to remedy the harm done to the unlawfully terminated workers.

In January 2005, the WRC, MSN, and Gildan reached agreement on a remediation plan. The centerpiece of the agreement called for Gildan to provide priority hiring opportunities to qualified former El Progreso workers in other Gildan manufacturing facilities. Specifically, the agreement called for Gildan to hire all former El Progreso applicants above any other applicants for positions at sewing facilities operated by Gildan in Honduras. The agreement applied to the roughly 1800 workers employed by Gildan at the time of its closure, as well as to a group of roughly 80 workers whom a WRC investigation indicated had been terminated unlawfully for union activities in the several years prior to the closure. At the time the agreement was reached, Gildan announced it was opening a new t-shirt facility known as San Antonio and agreed to include this facility under the priority rehire agreement. Under the agreement, after a first stage was completed in which former El Progreso applicants with appropriate skills were to be offered first hire opportunities at Gildan's Honduran sewing facilities, those workers lacking appropriate skills would be offered employment opportunities at the new facility and would be provided training for t-shirt operations. The accord was signed January 19, 2005 and took effect immediately. The agreement called for the Independent Monitoring Team of Honduras (EMIH) to verify Gildan's compliance with the agreement.

This memo outlines the final findings of EMIH's verification. The investigation is based on a review of relevant documentation, including an analysis of 567 files in Gildan's hiring office and a sample of 158 personnel files in Gildan's three Honduras facilities, as well as interviews with 72 workers in addition to members of management from among the three plants. After initially failing

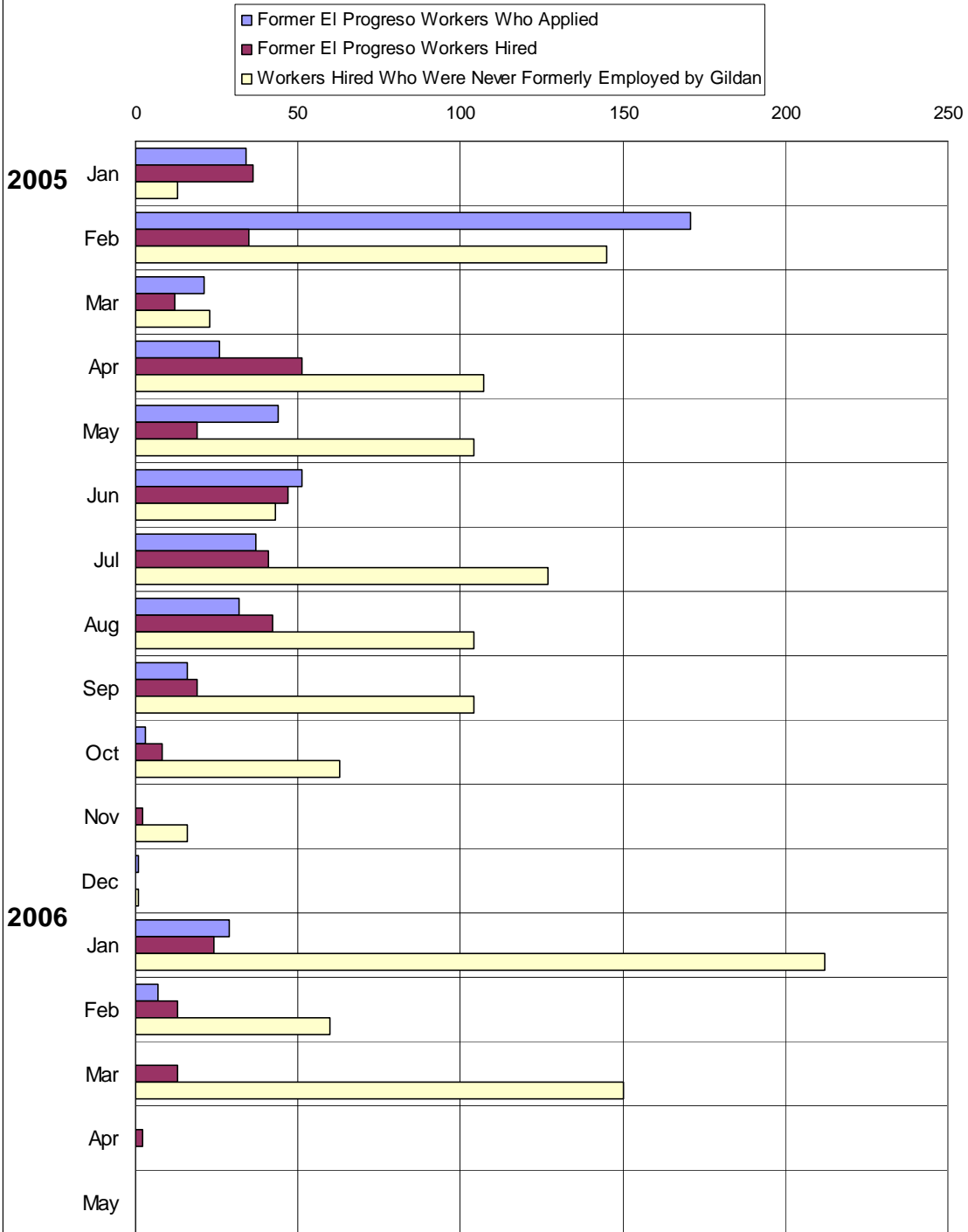
to do so for a number of months, Gildan ultimately provided the access to personnel and documentation needed to complete the investigation.

### **Key Findings and Evidence**

To assess the question of whether Gildan adhered to the first-hire provision of the agreement, EMIH looked at the hiring history of each of the three plants covered by the agreement – San Antonio, San José, and San Miguel – and data on employment applications submitted to Gildan by former El Progreso candidates. The key question considered was whether or not Gildan hired applicants who had not previously worked at El Progreso while applications of qualified former El Progreso workers were pending.

The chart below provides an overview of EMIH's findings. It sets out, month by month, the number of former El Progreso workers who visited Gildan's hiring office to apply for work, the number of ex-El Progreso workers who were ultimately hired, and the number of applicants never employed by Gildan who were hired. As indicated in the table, during the term of the agreement, Gildan hired a substantial number of applicants who were never employed at El Progreso ahead of former El Progreso applicants, thereby violating the letter of the agreement. Gildan's apparent non-compliance with the agreement was most severe at the outset of the agreement; however, compliance improved over time. During the first full month of the agreement, February 2005, Gildan hired only 35, or 20%, of the 171 former El Progreso workers who filled out applications, but during the same month hired 145 applicants who had never previously worked for Gildan. The lack of worker qualification cannot be a cause for the failure to hire from the pool of former El Progreso applicants given their sheer number and previous work experiences. Between January 2005 and April 2006, a total of 1272 workers without former experience with Gildan were hired, while 364, or roughly 77%, of the 472 former El Progreso applicants were hired. The data indicate that, following the initial stage, compliance seems to have improved, with an increasing proportion of eligible applicants being hired each month.

**Summary of Employees Hired at Gildan Facilities in Honduras**  
(including San José, San Antonio, and San Miguel)



The failure of Gildan to fully adhere to the priority-rehire agreement during the initial implementation stage, as discussed above, appears related to another of the EMIH's findings: the relatively small number of former EI Progreso candidates that applied for re-employment at Gildan facilities during the course of the agreement. Overall, 472, or approximately 20%, of the roughly 1,880 former EI Progreso workers eligible for first hire opportunities applied for work at Gildan facilities since the agreement was implemented in January 2005<sup>1</sup>. There are a range of factors that likely contributed to this disappointingly small turn-out, including the distance from workers' homes to the Gildan plants – requiring workers to make long commutes or relocate – and the lack of information among eligible workers about the agreement. However, it appears that one important factor was that a large number of eligible workers applied at the outset and were turned down. This very likely sent a discouraging signal to other potential applicants about the likelihood of being hired, leading those workers to seek employment elsewhere or to migrate<sup>2</sup> rather than apply for another position with Gildan. As evident in the chart above, applications from eligible workers dropped sharply after the initial surge – from 171 in February to 21 in March 2005. It is possible that, had Gildan hired more eligible applicants during the initial period of implementation, a larger number of eligible workers would have subsequently applied for work and been hired.

Another noteworthy finding of EMIH's investigation regards the differing rates at which women and men applied for employment and were hired. Among former EI Progreso workers, during the period January 2005 to April 2006, men applied for re-employment with Gildan at a higher rate than women: 270 male applicants as compared to 202 female applicants. This was the case despite the fact that a strong majority of all former EI Progreso workers are women. The differential likely resulted from the fact that employment at one of Gildan's other facilities required family relocation or long commutes, which, in the Honduran context, generally poses greater difficulties for women workers given their existing family-related responsibilities. Of those former EI Progreso workers who applied, men were also more likely to be hired: 245, or 91%, of men who applied were hired, compared with 119, or 59%, of women. It is not clear why so many more men than women applicants were hired. Some of the disparity may be related to women applicants ultimately deciding not to work in the Gildan facilities or not responding to follow-up calls from the hiring office, but it is unlikely this could account for all of the disparity. The investigation did not find evidence of deliberate discrimination against women workers. What is clear is that the first-hire agreement ultimately benefited male workers substantially more than female workers.

An additional issue reviewed by EMIH's verification was the extent to which the agreement led to the employment of the workers who had been terminated in the years prior to EI Progreso's closure due to their association with a trade union. One of the hopes of the rehiring agreement was that it would lead to the employment of individuals from this group of roughly 80 unlawfully terminated workers. EMIH's verification effort found that only four of these individuals visited the hiring office during the course of the agreement; of these four, only two were ultimately employed. Gildan reports that the other two union members did not leave contact information and that the hiring office was thus unable to follow up with them. It remains unclear what reasons, beyond the passage of time since their firings, may have contributed to the small number of workers from this group of illegally fired workers benefiting from the agreement.

Several other factors should be considered in assessing the overall impact of Gildan's practices since the closure. Gildan opened the hiring office at the time that EI Progreso was closed in August 2004, prior to the signing of the first-hire agreement. Approximately 550 former EI

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<sup>1</sup> As noted below, a number of workers also visited the hiring office before the agreement took effect.

<sup>2</sup> Migration out of Honduras is a common trend for workers in the country and the region as a whole. If workers didn't feel confident that the offer of first hire was something they could count on, they may have had little option but to take the risk of finding employment outside of Honduras.

Progreso workers had already visited the office before the agreement was reached. The majority of these applicants were directed to interviews at non-Gildan plants. According to Gildan, by late January 2005 when the agreement was reached, 294 applicants had been hired by non-Gildan facilities and 28 workers had been hired in Gildan plants (figures we have not been able to verify independently). Once the agreement was reached, the majority of workers who visited the office and found employment were hired at Gildan plants. In assessing these figures, it is important to note that the hiring of former EI Progreso workers by employers other than Gildan should not be considered as equivalent to hiring by Gildan. Workers who found employment in other facilities consistently told investigators that they would have preferred to have been reemployed by Gildan if they had known this was an option. However, while outside the scope of the agreement, it should be acknowledged that a number of employees were able to find employment through the hiring office operated by Gildan prior to the agreement.

### **Further Developments**

On March 9, 2006, the WRC, MSN, EMIH, and Gildan met in San Pedro Sula, Honduras to assess progress on implementation of the accord. In light of concerns raised about the relatively low number of workers who had been hired by Gildan under the agreement, Gildan agreed to undertake a new outreach drive to inform former workers about the priority rehire agreement. These steps included notifying workers through radio advertisements, posters placed in communities where workers reside, car-mounted microphones, and letters addressed to former EI Progreso workers. EMIH verified that Gildan did undertake the actions to which it had committed. While the renewed outreach resulted in only 36 additional former EI Progreso workers applying for employment – most likely owing to the long period of time that had elapsed since the closure during which workers had migrated or found other employment – the renewed outreach efforts did represent a positive step of good faith on the part of Gildan.

At the March 9 meeting, Gildan also agreed to provide EMIH with access to additional documentation needed to complete the assessment – including access to archives of the hiring office and employee personnel files – requests for which had earlier been denied. Following the meeting, Gildan followed through on its commitment to provide access to the documentation, allowing the verification process to be completed without hindrance.

### **Conclusions and Recommendations**

Unlawful closures and mass terminations – occurring in the midst of workers' efforts to bring attention to violations or to exercise associational rights – take place in the apparel industry with alarming frequency. In the majority of these cases, little meaningful remediation – in the form of reemployment or payment of legally mandated terminal compensation – ever occurs. In this context, Gildan's actions following the mass termination and closure of EI Progreso surpassed standard practices in the industry. Nevertheless, as discussed above, its compliance with the remediation agreement, particularly in the initial stages, was wanting.

There is good reason to believe that even if Gildan had complied fully with the letter of the agreement from the outset, the harm done through the closure of the EI Progreso facility would not have been fully remedied. By the time the agreement had been reached, nearly five months had passed since the closure and terminations occurred, during which many workers had been forced to move on to find other work.

It is worth reflecting on what actions might have provided a more effective remedial response to the closure of EI Progreso and what steps might be most effective in similar cases in the future. First, it would have been substantially more effective if the remediation agreement had been adopted and priority-rehire process had been implemented immediately following the closure, before workers were forced to make decisions about whether or not to stay in the region. Second,

it would have been preferable to reopen a new facility in the same region where the earlier facility was placed. In this case, the newly opened San Antonio facility was roughly 90 minutes by bus from El Progreso. The requirement of relocating or making long daily commutes is particularly prohibitive for women workers, who represent the majority of workers in the textile industry and who typically shoulder the greatest responsibilities in terms of care for children and other family members.

All of this said, it must be reiterated that unlawful mass terminations pose such challenges that, once they occur, even the most well-intentioned and aggressive remediation plans are not likely to fully undo the harm done to the workers involved. An effective rapid response can contain the damage caused, but is unlikely to reinstate the status quo ante, before the terminations were carried out.

In light of the current reality, the following are recommendations on steps Gildan could take to move forward:

- Gildan should consider keeping the hiring office open. The El Progreso community was harmed considerably by the El Progreso closure, which was a key source of employment in the region; keeping the hiring office open would represent meaningful support for El Progreso and surrounding communities.
- Gildan should examine and pursue the possibility of locating any future expansion plans in Honduras in the El Progreso region.
- Gildan should take appropriate action to ensure that there is no further discrimination against union members and/or supporters in any Gildan facilities.
- In the event of future plant closures in other regions, Gildan should take fully into account the positive and negative experiences in the El Progreso case in order to minimize the negative impacts of factory closures on workers and their communities.