



WORKER RIGHTS CONSORTIUM

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

**Findings**

**November 5, 2014**

## TABLE OF CONTENTS

I. Executive Summary.....	3
II. Background .....	4
III. Monitoring Methodology.....	5
IV. Applicable Standards and Findings .....	6
A. Wages and Benefits.....	6
B. Working Hours and Overtime .....	12
C. Forced and Child Labor .....	14
D. Health and Safety .....	14
E. Non-Discrimination.....	21
F. Harassment and Abuse .....	22
G. Collective Bargaining and Freedom of Association .....	22
H. Women’s Rights.....	24
V. Conclusion .....	25

## I. Executive Summary

This report assesses labor rights compliance at the Alta Gracia Project facility (henceforth “AP” or “the factory”) in Villa Altagracia, Dominican Republic. The Worker Rights Consortium (WRC) conducts intensive ongoing monitoring at AP regarding compliance with the enhanced labor standards that both the factory and its holding company and primary buyer, Knights Apparel, have committed to uphold, including unprecedented commitments regarding living wage and respect for freedom of association.<sup>1</sup> Under the compliance assessment process developed by the WRC for our work vis-à-vis Alta Gracia Apparel, the WRC issues comprehensive public reports of our monitoring work at the factory on a regular basis. This document is the fifth such report covering the period of September 1, 2013 to September 1, 2014.<sup>2</sup>

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

Based on months of careful evidence gathering, analysis, and dialogue with all concerned parties, the WRC concludes that AP is, with the exception of one relatively minor deviation (detailed in Section IV(B) of this report), in compliance with its labor rights obligations, including those required by Dominican law, those set forth in all university codes of conduct, and the higher standards agreed upon under the special terms of this project. Factory management and the brand have moved swiftly and effectively to address problems identified in the monitoring process, which have been minor and few in number. AP has achieved a culture of respect for worker rights that represents a model for the apparel industry. In addition, the WRC has seen minor, unintentional payroll errors continue to decrease in comparison with the previous reporting

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

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

<sup>2</sup> The WRC issued the first compliance report regarding the Alta Gracia Project in December 2010. This report can be viewed at:

<http://workersrights.org/freports/WRC%20Verification%20Report%20re%20Altagracia%20Factory%2012-23-10.pdf>. The WRC issued its second, third and fourth compliance reports in December 2011, January 2013 and March 2014, respectively. These reports can be viewed at:

<http://workersrights.org/freports/AG%20Monitoring%20Report%20II%2012-08-2011.pdf>,

<http://workersrights.org/freports/WRC%20Verification%20Report%20III%20re%20Altagracia%20Factory%201.31.2013.pdf> and

<http://www.workersrights.org/freports/WRC%20Verification%20Report%20IV%20re%20Altagracia%20Factory%2003.5.14.pdf>. In addition, in July 2010, the WRC issued a public report solely concerning compliance with the living wage standard applicable to the factory. This report can be viewed at:

<http://www.workersrights.org/linkedddocs/WRC%20Living%20Wage%20Verification%20Report%20re%20Altagracia%20Project%207-16-10.pdf>.

periods, indicating that not only has AP been successful in correcting any errors, but that it has also worked diligently to put effective oversight systems in to place in order to prevent them from recurring.

Throughout this reporting period, the WRC closely monitored the implementation of benefits and pay increases outlined in the collective bargaining agreement that was signed in the previous reporting period between Knights Apparel and the Union of Alta Gracia Project Workers (Sindicato de Trabajadores de Alta Gracia Project, SITRALPRO).

## **II. Background**

AP is an apparel manufacturing plant in the Villa Altagracia Free Trade Zone, located in the town of Villa Altagracia in the Dominican Republic. AP employs approximately 150 workers who produce university logo t-shirts, hooded sweatshirts, and gift bags. During this reporting period, the factory was reincorporated in the Dominican Republic under the name Alta Gracia Project Holdings and is now wholly owned by Knights Apparel, the label for which most of the goods at AP are produced.

Under an agreement between Knights Apparel, the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS), and the WRC, Knights Apparel has committed to ensure that AP not only meets the labor standards of the brand's university licensors, but also complies with additional standards on wages and freedom of association that go beyond traditional university and corporate codes of conduct. This initial agreement was signed in January 2009; the factory hired its first machine operators on February 17, 2010. These commitments, which include payment of a living wage calculated by the WRC and unprecedented steps to ensure that workers can freely exercise their right to organize, makes the AP facility, to the WRC's knowledge, unique in the export garment industry in the developing world.

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

AP management has provided the WRC with unfettered access to the factory, including all relevant factory records. The WRC is aware of no other export apparel factory that has provided this level of access and transparency to a monitoring organization that operates completely

independently of the factory and its customers. This has enabled the WRC to carry out a monitoring program of unprecedented scope and rigor.

### **III. Monitoring Methodology**

In order to verify compliance with the Code, the WRC carries out monitoring in accordance with the following protocol:

- Ongoing monitoring of compliance with the living wage requirement, through monthly review of factory payroll records and worker pay slips and in-depth interviews with workers to ensure that factory payment records match actual payments to workers.
- Ongoing monitoring of compliance with all other code standards through:
  - Interviews and other communication with union representatives (at least every other week)
  - Interviews and other communication with individual workers, conducted off-site, at locations workers choose (at least monthly)
  - Interviews and other communication with factory managers (at least every other week)
  - Regular visits to the facility to review relevant factory records, to observe the production process, and to inspect the work environment, machinery, and safety gear (at least every other week)
  - Real-time troubleshooting, in consultation with all stakeholders (as needed)
  - Issue-specific assessments, as needed. An issue-specific assessment is a review of a specific labor standard or practice that has been identified by way of a worker complaint as an area of concern. Workers may submit confidential complaints to the WRC. In the event that a complaint is received, an issue-specific assessment is carried out in a timely fashion.

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

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

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

#### **IV. Applicable Standards and Findings**

##### **A. Wages and Benefits**

###### *Code Requirements:*

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

*The Worker Rights Consortium has determined, through a country-specific market basket analysis, that a living wage in the Dominican Republic is 222,042 Dominican pesos per year (“the Living Wage Standard”). To comply with the Living Wage Standard, all employees in the factory must be paid a gross wage sufficient to yield take-home pay of at least 222,042*

*Dominican pesos per year. The required gross wage is equal to 18,152.99 Dominican pesos per month or 4,189.15 Dominican pesos per week. In order to be in full compliance with the Living Wage Standard, the factory must:*

- a. Pay all employees in the factory at least the Living Wage Standard, regardless of an individual employee's level of production, for a regular workweek, exclusive of any overtime hours. The only bonus that may be considered as payment toward fulfillment of the living wage obligation is the annual mandatory Christmas bonus which all employees in the Dominican Republic receive regardless of production level. All production bonuses, all other non-mandatory bonuses and incentives, and all compensation for overtime hours must be paid in addition to the Living Wage Standard.*
- b. Make no deductions from employees' pay other than those mandated by law.*
- c. Pay employees for any overtime hours at the premium rate required by law, using the Living Wage Standard, or the actual straight time wage, whichever is higher, as the basis for calculating the premium rate.*
- d. Employ all employees on a year-round basis, and compensate them in accordance with the Living Wage Standard, without lay-offs or furloughs, so that the annual wage earned by a given employee – not including non-mandatory bonuses, incentives, and overtime – is consistent with the Living Wage Standard. The only circumstances under which an employee may receive less than the living wage over the course of a year is if the employee, of his or her own volition, takes unpaid leave for some portion of that year. Unpaid leave is time off that is taken voluntarily and that is not required, by law or by contract, to be compensated as paid vacation, paid sick leave, or other paid leave.*
- e. Minimize the use of temporary and part-time employees, so that, in the course of a year, no more than 10% of the hours worked at the factory are worked by individuals who are not full-time, year-round employees. Pay any part-time or temporary employees no less than the Living Wage Standard for all regular hours worked, plus any applicable bonuses, incentives, and overtime pay.*
- f. Ensure that the value of the living wage is not eroded through inflation, by adjusting the Living Wage Standard, in October of each year, to account for the increase in the cost of living over the prior twelve months, if any, as measured by the Dominican Central Bank. If a union is present in the factory, the factory may, at the union's request, modify the schedule for revising the Living Wage Standard to incorporate the revision into the collective bargaining process, provided that employees are made whole for any loss of wages due to delay in the revision of the Living Wage Standard that may result. Wages must be increased to reflect increases in the cost of living, but there will be no reduction in wages in the event of deflation.*

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

*Findings:*

The WRC conducted a detailed review of factory payroll records and hour logs for twelve pay periods between September 1, 2013 and September 1, 2014. The WRC also regularly conducted off site worker interviews during which workers provided pay slips to ensure compliance with the Living Wage Standard. The WRC also conducted issue-specific inquiries into payroll records in response to any potential violations of the Living Wage Standard that were identified through worker interviews or complaints.

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

The factory complied with the inflation adjustment stipulated in the living wage agreement to ensure that the Living Wage Standard was not eroded by inflation. On July 18, 2013, the factory and the union signed their first collective bargaining agreement, which will cover the period from July 18, 2013, to July 18, 2015. While, in past years, wages were increased by percentage amounts equal to the annual inflation of a given year, the wage is now, as of November 15, 2013, set by the collective bargaining agreement. On this date, workers received an increase of four percent, bringing the pay rate for machine operators to 5,159.77 Dominican pesos (\$118.21) per week or 20,639.08 Dominican pesos (\$472.83) per month.<sup>3</sup> Workers will receive an additional four percent raise on November 15 each year that the contract is in effect.

The four percent increase negotiated during collective bargaining was based on the average annual inflation rate in recent years. The collective bargaining agreement further states that the WRC shall monitor the inflation rate and notify both the union and AP management if the consumer price index is higher or lower than the percentage increase negotiated by the parties. If this is the case, the parties will discuss an adjustment to the current wage.<sup>4</sup> Inflation figures released by the Dominican Central Bank indicate a 4.74 percent rate of inflation from October 2012 to October 2013.<sup>5</sup>

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<sup>3</sup> The exchange rate used for the conversions from Dominican pesos to U.S. dollars in this report was calculated at the exchange rate on the last day of the reporting period, August 31, 2014, which was US\$1:DOP 43.65.

<sup>4</sup> See Article 6.4.1 of the collective bargaining agreement between Altagracia Project and Workers Union of Altagracia Project (SITRALPRO).

<sup>5</sup> See Dominican Central Bank 2014 inflation figures, <http://www.bancocentral.gob.do/>.

The fixed pay increases contained in the contract provide both AP management and the workers with greater financial predictability, allowing them to better plan their budgets. Had the 2012-2013 inflation rate been significantly higher than four percent, or if inflation rates slightly higher than four percent persisted over a period of several years, we would expect that the company and union would reach an agreement regarding a wage adjustment. However, in this case, the inflation rate was only slightly higher than the scheduled pay rate. In addition, the WRC has now confirmed the 2013-2014 inflation rate, which is well below four percent. Given this, the WRC finds that AP continues to be in compliance with both the Living Wage Standard and the collective bargaining agreement in terms of wage setting.

A review of payroll documents and pay stubs together with information provided by workers during off-site worker interviews show that the factory properly applied the pay raise dictated by the collective bargaining agreement. On October 1, 2013, the minimum wage in the Dominican free trade zones increased by 14.24 percent to a gross wage of 7,220 Dominican pesos (\$165.41) per month.<sup>6</sup> After both the living wage and the minimum wage were adjusted, the AP living wage was almost three times the minimum wage for garment workers in the Dominican Republic.

By paying the rate stipulated by the collective bargaining agreement, AP also fulfilled the Living Wage Standard. The only exception to this occurred in cases in which workers took approved, unpaid leave that reduced their hours below the standard 44-hour workweek. As required by the Living Wage Standard, workers were paid their full wage during a furlough of several weeks in November and December 2013. During this period, the factory ceased nearly all production and workers were not required to report to work. Providing workers with their full wage during furloughs is extremely uncommon in the Dominican garment industry. This policy ensures economic stability for workers beyond what is provided for in the Dominican Labor Code and should serve as a model for the industry.

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

AP has changed its policy regarding payment of non-work-related medical leave during this reporting period. While this change is not favorable to workers, it is in compliance with Dominican law, the standards agreed upon for AP, and the collective bargaining agreement. Under Dominican law, if a worker who has been contributing to the Dominican national social security system for more than one year takes medical leave due to an illness or injury that is not work-related, the social security system compensates the worker for all medical leave after the first three days, not to exceed 26 weeks.<sup>7</sup> While employers are not legally required to cover these first three days, AP has done so in the past. However, during the current reporting period, in part

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<sup>6</sup> See Resolution No. 8-2013 of the Dominican Ministry of Labor, which can be viewed at: <http://www.omlad.gob.do/ResolucionesSalariales.aspx>.

<sup>7</sup> See Consejo Nacional de Seguridad Social, *Reglamento Sobre el Subsidio por Enfermedad Comun*, Article 5.

due the financial burden caused by an outbreak of the Chikungunya virus that affected a significant number of AP workers, factory management has ceased offering this benefit. AP has informed the WRC that it will continue to consider covering these first three days of illness in specific cases. Although this is not a violation of Dominican law or the standards agreed upon for AP, the WRC recommends that AP return to providing this compensation to workers as the factory's financial position improves.

The WRC verified that the factory did not make any unauthorized deductions from workers' pay. In accordance with Dominican law, the factory deducted the 5.91 percent combined deduction for employee contributions to the national pension and health care systems.<sup>8</sup> In addition, the factory deducted a fixed weekly amount of 45 Dominican pesos (\$1.03) in union dues for those union members who authorized this deduction, and remitted these funds to the union. Likewise, the factory has honored all requests to discontinue deductions of union dues made by those workers who have chosen to leave the union.

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

Dominican law regarding payment of overtime is written based on the traditional Monday through Saturday work schedule. However, the official 44-hour workweek at AP is completed before Saturday. AP fully pays any hours which merit overtime premiums and thus its payment of working hours meets or exceeds Dominican law and the Living Wage Standard. Under Dominican law, there are several overtime categories. For overtime hours worked Monday through Thursday, a 35 percent premium is required.<sup>9</sup> For any overtime hours worked Monday through Thursday past 9:00 p.m., the law requires payment of an additional 15 percent premium. Thus, the real overtime premium for hours worked past 9:00 p.m. is calculated at 50 percent.<sup>10</sup> The WRC found that the factory correctly paid weekday overtime at these rates based on the Living Wage Standard. In addition, the law requires the employer to pay a 100 percent premium for all hours worked during the workers' rest periods and holidays.<sup>11</sup> The Dominican Labor Code defines the rest period, which is based on the traditional six-day work schedule, as any time after

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<sup>8</sup> See Article 201 of the Dominican Labor Code and Law 87-01, which can be viewed at: <http://www.dgii.gov.do/legislacion/LeyesTributarias/Documents/Ley87-01.pdf>.

<sup>9</sup> See Article 203 of the Dominican Labor Code.

<sup>10</sup> See Article 204 of the Dominican Labor Code.

<sup>11</sup> Ibid.

noon on Saturday and all day Sunday, unless the schedule is otherwise defined.<sup>12</sup> Because of AP's non-traditional five-day schedule, the factory pays the workers the 100 percent premium for all hours worked upon completion of the 44-hour workweek, starting at 1:00 p.m. on Friday and including all hours worked on Saturday and Sunday.

The factory has also complied with the standard that states that the use of temporary employees will be limited to a given number of hours each year. During the current reporting period, the factory hired only one temporary employee on a consistent basis. The worker in question was hired to work in the maintenance department and was initially unable to make a full-time commitment to AP but, when he was able to do so, he was hired as a permanent employee. The factory also occasionally depends on temporary labor to unload materials from shipping containers. The WRC confirmed through its regular review of payroll records that these employees were paid at the rate required by the Living Wage Standard.

The WRC also reviewed payroll records for a new incentive program that the factory implemented in July 2014 and found that, although the wage was calculated, in part, on an individual piece rate paid to workers, the wages earned by workers complied with the Living Wage Standard.<sup>13</sup> In previous reporting periods, workers in sewing modules were allowed to leave work early on Friday or miss work entirely if the module completed its weekly production goal before the Friday 1:00 p.m. end time. The new program offers workers the opportunity to receive the piece rate payment in addition to their normal salary for hours during which they perform incentive work. To date, the WRC has found that the incentive program has been managed in a fair and transparent manner; we will continue to monitor its practice and implementation.<sup>14</sup>

One employee resigned and two employees were terminated during the current reporting period; it is worth noting that this is a very low turnover rate for an apparel factory. The WRC reviewed records related to the payment of severance for these employees and found that all such payments were paid at the rate of the Living Wage Standard and were calculated correctly based on the employees' lengths of service. The WRC also reviewed payments of employees' year-end bonuses and found that these payments were correctly calculated based on the number of hours the employees worked and the salary the employee earned throughout the year. In sum, based on rigorous monitoring regarding the Living Wage Standard, the WRC found that AP has met or exceeded its commitments.

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<sup>12</sup> See Articles 163-164 of the Dominican Labor Code.

<sup>13</sup> The incentive bonus is paid to sewing modules collectively and is pro-rated so that the entire module earns 9.35 Dominican pesos per piece and the payment is divided equally by all of the workers in a given module. The WRC reviewed incentive payment records for five pay periods and found that the average hourly wage received by each worker, combined with the normal hourly salary, was 225.82 Dominican pesos, resulting in an additional 92.5 percent hourly premium for the workers.

<sup>14</sup> At the time this report was published, only two of the factory's five production modules were eligible to participate in the incentive program, which is currently offered only to those modules with an efficiency rate that allows them to complete their weekly production goals before the end of the official workweek.

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

### *Code Requirements:*

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

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

### *Findings:*

The factory is in compliance with the standards on working hours and overtime. The WRC notes one area in which factory procedures designed to ensure compliance warrant improvement.

The work schedule at AP continues to be 7:00 a.m. - 5:30 p.m. Monday through Thursday and 7:00 a.m. - 1:00 p.m. on Friday with a paid meal break from 9:00 - 9:25 a.m. From Monday - Thursday, workers are granted an unpaid lunch break from 12:00 p.m. - 1:00 p.m. In keeping with Dominican law, AP employees work a total of 44 hours per week.<sup>15</sup> Since the time of the factory's opening, AP management has made multiple adjustments to the weekly work schedule, each of which was done in order to accommodate the wishes of the workforce.

The WRC confirmed through off-site worker interviews that all overtime hours were strictly voluntary. In addition, as discussed in the living wage section above, the factory paid all overtime premiums, either meeting or exceeding the overtime premiums required by the law and in keeping with the Living Wage Standard.

During the reporting period, the WRC did receive a complaint from two maintenance workers who were each owed half an hour of overtime pay because their supervisor had not submitted the overtime log in a timely fashion. When the WRC addressed the issue with management, management demonstrated that these hours had already been submitted for payment to workers during the following pay period; the WRC verified that the workers received payment for this overtime. The WRC also observed a meeting between factory management and all supervisors reminding supervisors to submit overtime hours in a timely manner in order to avoid such incidents in the future.

AP continues to report to the WRC and to workers that off-the-clock overtime, a common practice in the Dominican apparel industry, is prohibited at the factory. In previous reporting

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<sup>15</sup> See Article 157 of the Dominican Labor Code.

periods, workers reported that AP supervisors enforced this policy by disconnecting the electricity inside the factory during break times. In other words, not only did AP management ensure that supervisors did not require workers to work outside official working hours, but factory management prevented workers from voluntarily working during breaks. In many apparel factories, workers concerned with meeting their quotas, or wanting to earn production-based bonuses, choose to work through breaks or lunch. However, not only is time worked during breaks not compensated as work time, resulting in a violation of wage and hour laws, it also poses dangers to workers' health. Failure to take breaks while engaging in the type of work done by most AP employees can lead to long-term health impacts on workers, notably musculoskeletal disorders.<sup>16</sup>

On several occasions during the current reporting period, WRC representatives observed employees performing work during both the mid-morning and lunch breaks. Workers reported that they chose to perform off-the-clock work and that this action was not the result of any intimidation or coercion. However, for the reasons noted above, any instance of off-the-clock work, including voluntary off-the-clock work, constitutes a violation of factory standards. The WRC addressed this issue with representatives of AP's human resources department and with floor supervisors. AP management committed to quickly remedy the situation. The WRC confirmed that an announcement was made to workers on July 11, 2014, reminding them of the company's strict policy regarding off-the-clock overtime. Directly following the announcement, the WRC consistently observed that the electricity was powered down during the mid-morning and lunch breaks. More recently, however, the electricity has sometimes remained on during the mid-morning break. In addition, on at least one occasion, the WRC has observed workers who were performing tasks that do not require electricity, such as sorting material, during the mid-morning break.

The WRC recommends that the factory take strict measures to consistently ensure that the electricity is powered down during all break times and that workers and supervisors clearly understand the company's policy on off-the-clock overtime. The WRC will continue to engage with the factory regarding this issue and to verify whether the problem is fully resolved.

The WRC received a complaint from one factory employee, a plant security guard, who reported that he was being granted a lunch break of only thirty minutes, while other employees receive a full hour. The WRC presented the worker's complaint to management and AP argued that, in keeping with Dominican law, the worker's status as a salaried employee did not entitle him to the same benefits as other employees whose pay is calculated at an hourly rate. The WRC reviewed the relevant passage of Dominican law<sup>17</sup> and concurred that the company was not violating the law. However, the WRC recommended that, as a best practice, the company allow

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<sup>16</sup> See, e.g., Department of Labor, Occupational Safety and Health Administration, "Ergonomics: The Study of Work, (2000), page 4.

<sup>17</sup> See, Dominican Labor Code Article 151.

the worker a full sixty-minute break. To its credit, AP implemented this recommendation. The employee now has a one-hour lunch break, the same lunch break length granted to all other employees.

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

*Code Requirements:*

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

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

*Findings:*

The factory is in full compliance with this standard. Worker interviews, union officers' reports, and WRC observation found no child labor or forced labor in the factory. During the period September 1, 2013, to August 31, 2014, a total of 38 employees were hired as machine operators and all were confirmed to be above the legal minimum age of employment.

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

*Code Requirements:*

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

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

During the first three reporting periods, AP received direct technical assistance and training from the MHSSN and the University of California at Berkeley Labor Occupational Health Program (LOHP) in order to establish an exemplary occupational safety and health program. The MHSSN and LOHP provided the factory with expert advice during the factory's renovation regarding industry best practices and subsequently carried out four in-depth factory evaluations on February 19, 2010, June 18, 2010, February 18, 2011, and July 26, 2013. In addition, in June 2010 and July 2013 the MHSSN and LOHP provided training to the factory's newly-formed Health and Safety Committee.

During previous reporting periods, the Committee also received training from local government agencies on how to avoid potential hazards and injuries. These trainings included workshops on how to prevent accidents and illness caused by exposure to electrical, chemical and physical hazards; CPR and administration of first aid; prevention and awareness of gender violence; personal nutrition; emergency evacuation; and natural disaster preparedness and response.

#### *Findings:*

The health and safety improvements that the factory adopted as a result of these consultations, inspections, and trainings are reviewed in depth in previous Comprehensive Monitoring Reports. The improvements completed during the previous reporting periods include:

The factory's Health and Safety Committee, which includes representation of both workers and management, continues to meet every month. The Committee both educates its own members and provides thorough and comprehensive education to the entire workforce. Workshops conducted between September 1, 2013 and September 1, 2014 included a review of many of the topics covered in previous years. The Committee conducted regular reviews of basic health and safety practices, including fire drill simulations and the proper use of fire extinguishers. In January 2014, the Committee implemented a new practice at AP in which general safety rules are now read to the workers over the loudspeaker at the beginning of each workday.

The WRC has continued to monitor the factory's Occupational Health and Safety (OHS) program and AP continues to implement best practices, complying with the improvements recommended by the MHSSN and LOHP.

The new health and safety measures that the factory implemented during the current reporting period include:

#### *Electrical Safety*

- The metal beams in the cutting department, which house rolling electrical outlets, were repositioned in order to reduce trip risks caused by cables that are attached to cutting equipment.
- The exposed wiring in an unused electrical outlet noted by the WRC's verification report dated March 5, 2014, has been addressed; the outlet has been removed.

#### *Fall Prevention*

- In November 2013, several concrete structures near the front entrance of the factory were identified as possible trip hazards and were removed.

- In March 2014, concrete platforms equipped with drainage systems were installed in order to avoid slip hazards on the factory floor that are created by leaking water coolers.
- The bottom of a raised doorframe at the factory's rear entrance was identified as a trip hazard. In June 2014, a double-ended concrete ramp was built to eliminate the trip hazard. (See Figure 1.)
- A trip hazard noted during the previous reporting period, which was created by a gap in the platform supporting a stain removal station, has been addressed; the station was fully uninstalled as part of AP's elimination of the solvent used at this station.



Figure 1

### *Injury Prevention*

- In April 2014, workers were instructed to take an alternate route from the sewing department to the restrooms to avoid walking through the cutting department, thereby reducing the risk of collision with cutting employees who use sharp instruments.
- In June 2014, a thorough inspection of all sewing machines was conducted to ensure that any machine with a capacity of more than 3,000 revolutions per minute was equipped with a functioning eye protector made of clear glass. Where the existing protectors were cracked or had been removed by machine operators, these were replaced.

### *Emergency Evacuation*

- In June 2014, all stairs and doorways were painted with stripes, using reflective paint, so that they are more visible in the dark and therefore more accessible in the event of an emergency. (See Figure 2.)



Figure 2

- In June 2014, the area designated for motorcycle parking was painted to measure individual parking spots in order to reduce the risk of workers' motorcycles colliding when exiting the parking area and to allow workers to leave more quickly in the event of an emergency. (See Figure 3.)



Figure 3

- In June 2014, sewing modules were reorganized in order to widen the passageways between each module. Previously the aisles had measured three feet in width, the minimum required by Dominican Law; they were widened to a measurement of five feet.<sup>18</sup>

#### *Exposure to Chemicals and Hazardous Materials*

- Spill kits, which include protective eye wear, rubber gloves and loose earth, were installed in the physical plant and in the chemical storage area in order to allow the workers to react quickly to any chemical spills. (See Figure 4.)



Figure 4

- In June 2014, the concrete floor underneath the compressor in the physical plant was painted with yellow reflective paint so that any gas spill that might occur can be easily identified.
- The factory also permanently eliminated the use of a spray used to remove stains from finished products, as well as a spray to affix cloth to patterns in the cutting department. The factory now uses no hazardous solvents in its production process.

<sup>18</sup> See Sections 1.29 and 1.30 of Resolution 4-2007 of the Dominican Secretary of Workplace Conditions, which can be viewed at: [http://www.oiss.org/estrategia/IMG/pdf/Resolucion\\_4-2007.pdf](http://www.oiss.org/estrategia/IMG/pdf/Resolucion_4-2007.pdf).

- In July 2014, the factory instructed workers to check the gas tanks on their motorcycles for possible leaks in order to reduce fire risk and potential odor damage to factory product caused by gasoline.

*Ambient Temperature and Air Quality*

- In June 2014, the factory’s cooling system was modified to spray water over a large portion of the building’s roof, a system that helps to reduce the temperature inside the factory. Prior to this modification, the system only dripped water onto the roof, covering a smaller surface area.

- In January 2014, a small concrete security post was installed to offer shade and shelter to security guards that previously relied on a nearby tree for shade. (See Figure 5.)



Figure 5

- In March 2014, management installed ceiling fans. Prior to this, the only fans available on the production floor were placed at ground level and did not reach all of the workers. (See Figure 6.)



Figure 6

- In May 2014, the WRC found that the two vacuum cleaners used to reduce cotton dust were out of service for a period of nearly three months and that cotton dust was being removed from the production floor with the use of brooms and dustpans.

Workers reported that this method was ineffective at removing the cotton dust and that the increased accumulation was significant. The WRC addressed this issue with management and two new vacuum cleaners were purchased.

### *Structural Integrity and Fire Safety*

- Knights Apparel has verbally committed to commission an extensive study of the factory's structural integrity, which is scheduled for January 2015.

### *Worker Health*

- Two minor accidents occurred during the current reporting period involving machine operators. In both incidents, the machine operators had removed the needle guards on their sewing machines and suffered minor cuts. The WRC confirmed that both accidents were reported to the Dominican Administration of Risk in the Workplace.
- In September 2013, the factory hired a doctor in order to provide on-site consultations for workers experiencing illness. The factory has designated an office to be used as a clinic and the doctor sees patients on Monday, Wednesday, and Friday from 7:00 a.m. - 12:00 p.m. and on Tuesday and Thursday from 7:00 a.m. - 5:00 p.m.
- In August 2014, the factory changed health insurance providers in order to provide workers with the option of visiting several clinics in Santo Domingo. The new insurance company assists workers in accessing benefits, determining what medical care centers accept the insurance, and in scheduling medical appointments.
- Factory workers were involved in an alarming number of motorcycle accidents during this reporting period.<sup>19</sup> Dominican law requires that an employer report a transit accident that occurs while a worker is traveling to or from work. Several accidents occurred while workers were traveling to or from the factory. The WRC verified that the factory met all of its obligations outlined by Dominican law in reporting the accidents and providing workers with compensation and medical leave related to such accidents. In August 2014, factory management requested that the Metropolitan Transit Authority conduct a safety workshop at the factory on motorcycle accident prevention; this visit is pending.

The WRC continues to monitor the following safety issues, which have not yet been fully addressed. The majority of these were identified by the labor-management Health and Safety Committee, which includes the Plant Manager and Maintenance Supervisor, reflecting the factory's commitment to continuous improvement in the arena of health and safety. None of these issues constitute violations of the Dominican Health and Safety Code; in identifying and

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<sup>19</sup> Such traffic accidents are a significant public health issue in the Dominican Republic; see, for example, Ezra Fieser, "Dominican Republic Looks to Law to Curb Road Carnage," *Guardian* (Jul. 22, 2013), <http://www.theguardian.com/global-development/2013/jul/22/dominican-republic-road-safety-law>.

seeking to address these issues, the Health and Safety Committee and AP management are going beyond what the law requires and implementing best practices in the industry.

- In June 2014, the Health and Safety Committee identified the need to widen the door at the front entrance of the factory in order to allow workers to exit the factory safely in case of an emergency. Factory management has stated that it will implement this Committee recommendation.
- The Committee plans to install clear glass in the door of the human resources office to replace the frosted glass that is currently there so that workers entering or exiting the office can see one another and avoid collision or injury.
- The Committee identified several areas in the roof where there are gaps between the aluminum panels, resulting in some water leaks which, in turn, can result in a fall risk from wet, slippery floors. The Committee plans to repair these gaps.

- The Committee found that several steel beams running the length of the ceiling are visibly corroded and plans to repair them. (See Figure 7.)



Figure 7

- Management has identified a former outdoor cafeteria in front of the factory, adjacent to the parking lot, as an asbestos risk. The use of this building was discontinued, and a chain was installed with a warning sign to discourage workers from entering. The structure, however, is still easily accessible by workers who disregard the warning sign. In the March 2014 Comprehensive Monitoring Report,<sup>20</sup> the WRC recommended that this risk be eliminated. On several occasions during the current monitoring period, however, the WRC observed workers eating or meeting in the structure. The WRC continues to recommend that this structure be removed to avoid risk of asbestos exposure. At the time this report was published, the factory was evaluating several contractor bids to remove the structure.

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<sup>20</sup> See the Comprehensive Monitoring Report published in March, 2014 at <http://www.workersrights.org/freports/WRC%20Verification%20Report%20IV%20re%20Altagracia%20Factory%2003.5.14.pdf>.

- In the previous reporting period, a concrete structure at the entrance to the outdoor cafeteria was identified as a trip hazard. Factory management has not yet removed the structure, citing the fact that this outdoor cafeteria is not located on AP property and so any changes to this area require agreement from another party. Factory management reports that they have repeatedly requested such permission but not yet received a favorable response. However, factory management has committed to ensure that the structure is removed or altered in a way that the trip hazard is eliminated. In the interim, the structure has been painted with reflective paint to make it more visible.

The WRC found that the factory not only complies with Dominican law and the applicable health and safety code standards, but also continues to implement industry best practices. Management is aware of the outstanding issues outlined above, and has already committed to their remediation. The WRC will continue to monitor the implementation of these recommendations. The WRC commends the factory's proactive approach towards addressing health and safety issues and its willingness to seek out training and consultation from outside health and safety experts who are trusted by workers and labor rights advocates.

## **E. Non-Discrimination**

### *Code Requirements:*

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

### *Findings:*

The WRC found no evidence of discrimination in hiring, promotion and treatment in the workplace. Workers and union representatives report that there is no discrimination on the basis of gender, race, religion, age, disability, sexual orientation, nationality, political opinion, or social or ethnic origin.<sup>21</sup>

The WRC closely monitored the hiring process of the 38 employees who were offered employment at AP during the past reporting period and found no evidence of discrimination.

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

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

## **F. Harassment and Abuse**

### *Code Requirements:*

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

### *Findings:*

The WRC found no evidence of direct harassment of any kind. However, in April 2014, the WRC observed that, for a period of several months, workers' names and production rates in all production modules were posted publicly, highlighting those employees with low production. The factory stated that this was not an official policy, but rather a motivational strategy implemented by the head engineer and floor manager. The WRC recommended that this practice cease and, in August 2014, the publicly posted names were removed. Worker interviews did not reveal any other evidence of harassment or abuse.

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

### *Code Requirements:*

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

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

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

### *Findings:*

The WRC has found AP to be in full compliance with the factory's standard on freedom of association (FOA). During the previous reporting period, AP and SITRALPRO signed a collective bargaining agreement for a period of three years. This contract contains exemplary wages and benefits, including annual salary increases, production bonuses and commitments to fund union-sponsored cultural events. The WRC verified that all clauses of the contract have been honored. The WRC commends Knights Apparel for participating directly in negotiations, an important precedent for best practices in the apparel industry.

Prior to opening the factory, Knights Apparel signed an agreement regarding FOA with the Dominican Federation of Free Trade Zone Workers (FEDOTRAZONAS). FEDOTRAZONAS reports that AP and Knights Apparel have complied with this agreement fully. As documented in the previous four reporting periods, both union representatives and workers confirmed that, since the factory's inception, management has respected workers' associational rights and successfully created an atmosphere in which workers feel free to decide whether or not they want to join the factory's union. AP should serve as a model in this regard for other factories.

The plant level union affiliated to FEDOTRAZONAS is the Union of Alta Gracia Project Workers (Sindicato de Trabajadores de Alta Gracia Project, SITRALPRO). SITRALPRO was legally registered with the Secretary of Labor in June 2010 and currently represents a majority of AP workers. In April 2014, the union held a secret ballot election in which workers elected 12 of their coworkers to serve on the executive committee. The election was held without any management interference and the union was provided with a meeting space at the factory in order to hold the election.

Management meets regularly with union representatives. This includes weekly meetings to discuss production issues and biweekly meetings to discuss any other issues raised by either party. The union has an office space inside the factory and reports that it is able to carry out representational functions without interference from management. The two parties have established a good working relationship and the union plays a central role in the day-to-day operation of the factory, including participation in production meetings, hiring decisions, the health and safety committee, planning and implementation of the factory's educational programs, and disciplinary procedures.

Noteworthy is the collaboration that continues between the union and management on a worker education program offered during and after working hours. The workshops offered during the current monitoring period include trainings on leadership, personal finance, basic mechanics, sewing techniques, computer skills, and worker rights.

Factory management also verbally agreed to collaborate with the union to develop a protocol for dealing with disciplinary issues and to allow union representatives a determined period of time during which they may dispute any written or verbal warnings, suspensions, or terminations.

In addition, the factory cooperates fully with the agreed-upon provisions regarding union dues. For union members who authorize the deduction from their payroll of union dues, the appropriate sum is withheld from workers' paychecks and remitted to the union in a timely manner.

AP continues to demonstrate exemplary compliance with the FOA stipulations and the benefits contained within the collective bargaining agreement.

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

### *Code Requirements:*

*a. Female employees will receive equal remuneration, including benefits, equal treatment, equal evaluation of the quality of their work, and equal opportunity to fill all positions open to male employees.*

*b. Pregnancy tests will not be a condition of employment, nor will they be demanded of employees.*

*c. Employees who take maternity leave will not face dismissal nor threat of dismissal, loss of seniority or deduction of wages, and will be able to return to their former employment at the same rate of pay and benefits.*

*d. Employees will not be forced or pressured to use contraception.*

*e. Employees will not be exposed to hazards, including glues and solvents that may endanger their safety, including their reproductive health.*

*f. The factory shall provide appropriate services and accommodation to women employees in connection with pregnancy.*

### *Findings:*

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

Consistent with the findings in its last three comprehensive monitoring reports, the WRC found that women had the same opportunities as their male counterparts with regard to hiring, promotion, pay, and benefits. Women continue to make up nearly two-thirds of the workforce. With the exception of the cutting department (one of the two smallest departments in the factory, with only six employees), women work in every department. The hiring protocol, which is closely monitored by the WRC, continues to ensure non-discrimination of female and pregnant applicants.

In addition, the factory fully respected pregnant workers' rights, including the provision of appropriate accommodations and twelve weeks of paid maternity leave at the living wage pay

rate. Workers returning from maternity leave were able to return to their former positions with the same salary and benefits. Over the course of this monitoring period, six workers took paid maternity leave, without incident.

In the previous reporting period, the WRC noted that due to its potential effects on reproductive health, the factory had suspended the regular use of solvents and switched to a household detergent. When the factory, on rare occasions, required the use of any solvents, all work performed with the solvent was performed in a protected and enclosed area, which has an exhaust fan to limit exposure to other workers. During this reporting period, AP management permanently eliminated the use of this solvent.

The factory is in full compliance with its commitments regarding women's rights.

## **V. Conclusion**

In consideration of the findings outlined above, the WRC concludes that AP continues to be in compliance with Dominican law, university codes of conduct, and the project's labor rights commitments. The one, relatively minor deviation from full compliance is the factory's failure to consistently prevent workers from voluntarily continuing work during breaks; the WRC will continue to engage with factory management regarding this issue.

Since the signing of the historic collective agreements and the landmark benefits that it provides, it is encouraging to see continued collaboration between AP management and the union in the application of these benefits. Given the small number of collective bargaining agreements in apparel factories in the Dominican Republic or in the region, it is a credit to the management and union of Alta Gracia that they have developed the skills and working relationship necessary to negotiate and implement this contract. The contract and its implementation continue to ensure that Alta Gracia meets and exceeds the standards set for respect for workers' rights, and to far outstrip standard practices in the apparel industry.