

RESEARCH REPORT

STYLE AVENUE FACTORY CASE

PRESENTED BY THE INDEPENDENT MONITORING GROUP OF EL SALVADOR (GMIES)



AT THE REQUEST OF OUTERSTUFF AND COLLEGE KIDS

SAN SALVADOR, EL SALVADOR, OCTOBER-NOVEMBER 2011



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ABBREVIATIONS AND ACRONYMS USED

AFP	Pension Funds Administration (Administradora de Fondos de Pensiones)
Art.	Article
COMTRASA	Style Avenue Workers Committee (Comité de Trabajadores de Style Avenue)
CT	Labor Code (Código de Trabajo)
FEASIES	Federation of Associations and Independent Unions of El Salvador (Federación de Asociaciones y Sindicatos Independientes de El Salvador)
FLA	Fair Labor Association
GMIES	Independent Monitoring Group of El Salvador (Grupo de Monitoreo Independiente de El Salvador)
IGLHR	Institute for Global Labor and Human Rights (Instituto para los Derechos Globales Laborales y Humanos)
ISSS	Salvadoran Social Security Institute (Instituto Salvadoreño del Seguro Social)
MTPS	Ministry of Labor and Social Welfare (Ministerio de Trabajo y Previsión Social)
STIVES	Clothing Industry Workers' Union (Sindicato de Trabajadoras de la Industria del Vestir)
USD	United States Dollars

I. CONTEXT OF THE RESEARCH

The limited liability corporation Style Avenue was established on August 23, 2007, in the city of San Salvador, and registered in the Commerce Registry on September 3 of the same year¹. Said corporation is the proprietor of the factory of the same name —Style Avenue— whose principal purpose is the production and exportation of clothing items. The factory is located in the San Bartolo Free Trade Zone, in the municipality of Soyapango, department of San Salvador.

In November 2008, the factory facilities suffered a fierce fire that nearly destroyed the totality of the plant. For the purpose of finishing production still in progress, the factory moved its operations to another industrial premise within the same free trade zone. It was a very difficult time for Style Avenue, given that the majority of workers lost their employment, as the corporation was financially unable to pay salaries. The factory continued to operate with a group of approximately 30 workers; the majority being pregnant women and older workers, whom management decided to maintain employed. Gradually, the factory increased its labor force and gained new production orders.

In November 2011, Style Avenue had 381 employees, of which 75% were women and 25% were men. The factory is organized into 11 production lines (sewing) and other departments like cutting, ironing, quality control, packing, warehouse, repair, maintenance, administration and supervision.

There is only one shift, from 7:00 a.m. to 5:00 p.m., Monday to Thursday, and from 7:00 a.m. to 4:00 p.m. on Friday. The first 15 minutes of the working day are considered break, in addition to a 45-minute lunch break, which is granted to workers in 4 periods, from 11:30 a.m. to 1:45 p.m.

Some of the brands that currently have production in this factory are: adidas Reebok Licensed products by Outerstuff, College Kids, Billabong, Fox and Walmart. It is important to note that some of these brands, such as Outerstuff and College Kids, do not place their production directly in the factory, but instead do so through the intermediary company Star Land Group Commerce Inc. GMIES considers it appropriate to indicate that, during the time period in which the present investigation was carried out and during visits to the factory, there was no evidence of production for the Dallas Cowboys team of the North American National Football League.

Currently, there exists one industrial union in Style Avenue. This union is a Section of the Clothing Industry Workers' Union (STIVES), which is affiliated with the Federation of Independent Associations and Unions of El Salvador (FEASIES). The STIVES Style Avenue Section

¹ Public Deed of the Constitution of the Style Avenue Society, registered in the Commerce Record No. 3 of the Book 2,259 of the Register of Societies, from page 29-40. San Salvador, September 3, 2011.



has 7 members —6 women and 1 man— who hold leadership positions on the Board of the union.

In October 2011, the Institute for Global Human and Labor Rights (IGLHR) and FEASIES published a joint report² in which they identified a number of labor rights violations that were harmful to workers at the Style Avenue factory. One of the points made in this report was related to violations to the right to freedom of association against members of the Board of STIVES Style Avenue Section.

In response to this report, U.S. companies Outerstuff and College Kids asked GMIES to carry out exhaustive research to determine the real situation of labor conditions at Style Avenue. This report is a product of the investigation that GMIES carried out; it summarizes the findings of the investigation and the suggested corrective actions.

² Institute for Global Human and Labor Rights (IGLHR) and the Federation of Associations and Independent Unions of El Salvador (FEASIES), *Dressing Babies in Sweatshop Clothing: Dallas Cowboys, Ohio State and a Creepy Business. Style Avenue in El Salvador*, October 2011.

II. METHODOLOGY

GMIES began its research on October 19 of the current year. In order to be able to produce this report, it was necessary to carry out an investigative process in two phases: first, outside of the factory; and second, a physical visit to the facilities of the factory. In what follows, the activities carried out in these phases are detailed.

Off-site investigation

This consisted of the compilation of preliminary information through consultations with local stakeholders involved in the case. To that end, interviews were conducted with representatives of FEASIES, IGLHR and the union leaders of STIVES who were fired from Style Avenue. In addition, secondary information sources were consulted, such as conciliation and inspection acts by the Ministry of Labor and Social Welfare (MTPS), related to the labor conflict at Style Avenue.

This phase extended from the initiation of the research until the completion of this report on November 17, 2011. At all times GMIES sought and received input from union members and other non-affiliated workers. Similarly, interviews were carried out with workers who worked in the factory in earlier months and persons who were dismissed in recent days in order to have a broader picture of working conditions at Style Avenue.

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On-site presence at the factory

The second phase consisted of carrying out an independent external monitoring visit at the factory facilities, including the different activities that a comprehensive audit requires:

- ❖ Interviews with workers;
- ❖ Interviews with management;
- ❖ Review of documentation;
- ❖ Visual inspection throughout the entire plant.

A preliminary meeting with the management of Style Avenue was held to explain the investigation process and its scope.

The visits to the factory facilities were carried out between October 31 and November 4. Between the 11th and the 17th of November, two additional visits were made with the purpose of investigating an additional complaint by the union. This complaint had to do with the supposed firing of a worker for having a conversation with a union leader. Subsequently,

more details will be presented about the information GMIES gathered with respect to this incident.

In all, 105 persons were interviewed, representing 27.6% of the total labor force. The interview sample was composed of 75% women and 25% men. The majority of these interviews were carried out individually, with the exception of two group interviews, one with the 7 union leaders of STIVES Style Avenue Section the other with 16 members of the Committee of Style Avenue Workers (COMTRASA)³.

Seniority was another criterion in the design of the sample. For GMIES, it was very important to know the views of workers who had been working in the factory since its establishment; persons who had more recently begun to work in the factory were also included in the sample. It should be noted that as the factory has been in operation for 4 years, seniority is not a very significant factor.

Persons across all work areas of the factory were interviewed, including supervisors, pregnant women and persons with disabilities.

As a part of the physical inspection of the facilities, a tour of the work areas was conducted, measuring the temperature and verifying compliance with all legal norms and corporate standards in terms of occupational health and safety. In some sewing lines, an industrial engineering study was also carried out, using time and movement measurements, to evaluate the system for setting production goals.

Finally, as a part of documentation review, the following records were analyzed:

1. Weekly production reports
2. Inspection and conciliation records from MTPS
3. Internal factory regulations
4. Individual employment contracts
5. Personnel files of active and retired personnel (including both dismissals and resignations)
6. Employment applications
7. Salary payrolls, overtime and other benefits (such as vacations and Christmas bonuses) records
8. Payment of bonuses for completed production goals
9. Payroll for social security and social welfare
10. Requests for leave, sick leave, and time off by personnel
11. Severance payment to dismissed personnel
12. Overtime records
13. Policies and procedures about freedom of association; harassment and abuse; non-discrimination; hours of work; disciplinary system; and health and safety

³ By virtue of a series of agreements made November 1, 2011, in a meeting with representatives of IGLHR, FEASIES, STIVES, Adidas-Reebok, Outerstuff, College Kids Star Land, and Style Avenue, all parties agreed to dissolve COMTRASA, because it was considered an obstacle to free and full exercise of freedom of association for those persons affiliated with STIVES Style Avenue Section. Therefore, effective November 3, company management officially notified the dissolution of said committee through a memorandum.



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14. Records of sanctioned workers
 15. Individual records of the daily production achieved by workers
 16. Records of the social security cards provided to employees by the employer
 17. Maintenance record of time tracking system (record of entrances and exits)
 18. Maintenance record of the water filter
 19. Proof of receipt by employees of individual employment contracts
 20. Proof of submission of individual employment contracts to MTPS
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The documents review period was the 12 months prior to the audit date.

The findings and conclusions presented below are the result of the triangulation and crosschecking of information obtained through the various aforementioned means.

III. INVESTIGATION RESULTS

First, GMIES will address each of the issues raised by IGLHR and FEASIES in their joint report. Subsequently, additional issues that were identified during the investigation, but were not included in the report published by IGLHR and FEASIES will be presented.

It is important to note that the findings are based on lack of compliance with Salvadoran labor legislation, as well as with the codes of conduct of the FLA and of the companies that requested this research.

Allegations by IGLHR and FEASIES in their joint report

1. Allegations about discrimination due to union affiliation

In July 2011, FEASIES began the process to form the STIVES Style Avenue Section union. The MTPS awarded legal standing to the union on July 25, 2011. From that moment forward, the 7 persons affiliated with the union, who simultaneously served on the union Board, were awarded the immunity and protections (fuero sindical) that Art. 248 of the CT recognizes for union leaders⁴.

In an effort to gain new affiliates, the union members began to talk to other workers, inviting them to join STIVES. In the union's opinion, this is how the management of Style Avenue found out about their existence inside the factory and immediately ordered the firing of 3 union leaders. These firings were carried out August 31, 2011. The rationale for the dismissals, according to management, was low performance by these workers.

That same day, FEASIES sent a communication to the management of Style Avenue arguing that the firings were illegal, because the workers held union leadership roles, and therefore were protected by the union immunity recognized by Art.248 of the CT. At the same time, FEASIES requested a dialogue with management on the matter.

On September 1, Style Avenue responded to FEASIES indicating that they were unaware of the existence of a union at the factory and requesting the list of all of the affiliated workers. Immediately, FEASIES sent proof of the union leadership role of the 3 fired workers. Nevertheless, management refused to reinstall them. For that reason, FEASIES filed an

⁴ This protection means that no member of the Board of a union can be fired, transferred or demoted from his or her job, or suspended for disciplinary reasons during the period of election and service, without just cause previously decreed by the competent authorities.

administrative claim before the MTPS. As a result, a conciliation process began on September 20.

While the conciliation process was ongoing, Style Avenue's management fired 3 other union leaders, again alleging low performance. These new firings were carried out on September 26. At this time, STIVES Style Avenue Section was left with only 1 affiliated member.

During a conciliation meeting carried out on October 6, Style Avenue management committed to reinstall the 3 union leaders who were fired August 31. Thus, two of the workers started work again at the factory on October 17; the third returned to the firm November 3, after taking advantage of the 15 days of vacation that the law recognizes.

In another conciliation meeting held on October 11, Style Avenue accepted the reintegration of the 3 leaders fired on September 26. One of them started working in the factory again immediately; the other two returned on November 3, after taking advantage of vacation days.

These firings constituted an act that violates the immunity granted in Art. 248 of the CT and were recognized as such by the MTPS after a labor inspection at Style Avenue⁵. [Management position] told GMIES that the dismissal of the union leaders had been part of a layoff of approximately 20 workers. Nevertheless, despite GMIES's repeated requests, Style Avenue never presented documentary evidence of this supposed layoff of a large number of workers. The only dismissals that were documented were those of the union leaders.

GMIES corroborated the rehiring of the 6 fired union leaders. GMIES also confirmed the payment of all salaries and benefits that management owed these workers resulting from their dismissals. In this way, Style Avenue corrected the discriminatory act based on union affiliation, which they had committed against the members of STIVES.

Unfortunately, the reinstatement of the union leaders did not mean that respect for the right to freedom of association within the factory was reestablished. The workers affiliated with STIVES faced a series of situations that constituted obstacles to freedom of association.

GMIES compiled ample evidence demonstrating that supervisors, area chiefs and some members of COMTRASA acted against the union. In all of the production lines and in other departments, supervisors, area chiefs and some members of COMTRASA gathered workers to tell them that the presence of the union would provoke the closing of the factory. Likewise, they warned workers not to have contact with union members and threatened them that, if they did so, they could be fired.

Between October 17 and 28, a high level of tension in the factory was reported due to the collective and unfounded fear generated by supervisors, area chiefs and some members of COMTRASA telling workers that the existence of union would force the factory to close operations. In this context, supervisors and area chiefs asked workers to sign letters supporting management, telling workers that if they did not sign, the firm would close.

⁵ Ministry of Labor and Social Welfare, File No. 253-UD-09-11, Inspection Process conducted October 4, 2011.



COMTRASA even presented one of these letters to the GMIES auditors, including more than 300 signatures. Interviews with workers confirmed that the great majority of workers signed what supervisors and area chiefs asked them to sign for fear that the factory would close.

No proof was found showing that the management of Style Avenue had given direct orders to supervisors and area chiefs to act in this manner. Nevertheless, the fact that these incidents occurred inside the facilities, without management taking the necessary measures to prevent them, constitutes a serious omission on management's part. That is, management is responsible for the actions of the supervisors, area chiefs and some members of COMTRASA.

As mentioned earlier, during the course of the investigation, a worker who was in her employment trial period was fired. It was considered pertinent to include this incident in this report as it possibly entails anti-union discrimination. The details are as follows:

On November 9, GMIES received a call from a union leader complaining about the firing of a worker —who recently had been employed at the factory— because supposedly she had spoken with a union leader.

This worker was employed by the factory on November 7 through recommendation from another worker and she was placed on one production line (sewing). According to Salvadoran labor law, she was in a 30-day trial period; nevertheless, she was fired two days after having arrived at the factory.

On November 8 —her second day of work— this person ran into an old friend inside the factory. This old friend was a member of the union. The two workers greeted each other and spoke for a long time within the factory. After this conversation, another worker approached the recently-arrived worker to tell her that she should not speak with anyone about the union because she could be fired. At the end of that same day, the worker who had just started work was fired, under the justification that she had not demonstrated enough productivity.

GMIES carried out interviews with all of the parties involved and the collected evidence suggests that the firing was motivated by anti-union discrimination. The versions of this incident, provided by the [supervisory position], the supervisor of the line and the [management position], were contradictory and inconsistent. In addition, the company did not provide evidence that the worker had low productivity, as the [management position] and supervisors had assured GMIES, taking into account that the worker was in a trial period and it was her second day on the job.

In an extraordinary and unannounced visit to the factory, GMIES verified that the firing was carried out without the approval of the [management position] or of the owners of the factory. This illustrates the lack of respect for management hierarchy on the part of the [supervisory position], the supervisor in charge of the line and the [management position]. In an interview with the fired worker, she stated that the [management position] assured her that her firing had been an error, as they thought that she was part of the union, and she was asked to sign the resignation notice with the promise that in January they would contract her again. The worker refused to sign and was given her payment for the 2 worked days. In conclusion, the gathered information points to the firing of this worker as being carried out because of friendship with a union leader.

To summarize this section, GMIES considers that discrimination existed against the union leaders of STIVES Style Avenue Section and conditions of risk still exist that could impede full and free exercise of the right to freedom of association.

In addition to the fear that the supervisors, area chiefs and members of COMTRASA generated among Style Avenue workers related to the presence of the union in the factory, the anti-union culture that is dominant in El Salvador should also be considered. The combination of these two factors makes the panorama difficult for STIVES-affiliated members. Therefore, remediation actions related to this subject require the immediate attention of management and of the brands.

2. Hours of work

Salvadoran legislation establishes an ordinary work day as 8 hours per day and 44 hours per week⁶. Any work exceeding these limits is considered overtime and is allowed by law, as long as it is remunerated in accordance with the formula established in the CT⁷.

From the time tracking records and the manual registries of overtime performed at Style Avenue, it is possible to conclude that some workers worked many hours continuously, in clear violation of Salvadoran labor legislation. The departments where this situation is reported are: warehouse, quality control, stapling, traffic and packaging. Some examples of issues that arose from the records review are as follows:

Revision of Worked Hours Registries in the Packing Department April-October 2011

Weekly Period	Noncompliance
Monday, April 25 - Sunday, May 1	7 consecutive days worked. On Sunday, May 1—day of rest and a national holiday—27 workers from this department worked until 4:30 p.m. without receiving a compensatory day of rest the following week.
Monday, May 30 - Sunday, June 5	13 workers recorded their entrance at 7:15 a.m. on Monday, May 30 and worked until 3:00 a.m. Tuesday, May 31. This same day, May 31, they recorded their entrance at 7:15 a.m.—that is to say, they rested only 4 hours. On Thursday, June 2, the work shift began at 7:15 a.m. and ended at 4:00 a.m. Friday, June 3. The work week ended Sunday, June 5, beginning the working day at 7:15 a.m. and ending at 4:00 p.m.
Monday, June 27 - Sunday, July 3	28 workers began an extraordinary shift on Saturday, July 2 at 7:15 a.m. and ended at 9:00 a.m. the following day, Sunday July, 3. 20 workers from this same group presented themselves again at 3:00 p.m. on that Sunday. 9 of them ended work at 7:00 p.m.; the 11 others left work between 11:00 p.m. and 2:30 a.m.

⁶ Art. 38 #6) of the Constitution and Art. 161 of the CT.

⁷ Art. 169 of the Constitution stipulates that all overtime should be remunerated with a surcharge of 100% of basic salary.

	<p>Monday, July 4.</p> <p>In summary, during the period examined (April-October 2011), 8 continuous work shifts were identified that continued until 3:00 a.m. the following day in the packing area. In packing, sewing lines and other departments, GMIES identified 9 worked Sundays for which a compensatory day of rest within the following 7 days was not granted.</p>
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Interviews with workers corroborate these long work shifts. However, the majority of workers agreed to work at this rate in order to earn more money. Only 12% stated that these extra work hours are mandatory; the remaining 88% consider them to be voluntary. In any case, Art. 52 of the Constitution of El Salvador establishes that labor rights are inalienable, in the sense that although a working person may be in agreement with working these exhausting shifts, they are a violation of Labor Law.

In conclusion, the noncompliance is not related to the payment of salaries or overtime payments, given that all working hours are compensated. Rather, it is the number of continuous work hours that does not comply with some regulations contained in the CT, such as:

- ❖ The limits established by Art. 167 of the CT, because there is no guaranteed lapse of 8 hours between one working day and the next;
- ❖ The length of time of a night shift, which according to Art. 161 cannot exceed 7 hours.
- ❖ One day of rest in each work week, required by Art. 171 of the CT. In that respect, the FLA Code of Conduct also requires one day of rest in each seven-day period.
- ❖ For workers who have worked on Sunday (the weekly day of rest), there is no guarantee of a compensatory day of rest during the following week.

3. Workers' salaries versus garment prices in the North

The current minimum legal wage for the textile and clothing industry in El Salvador is USD \$187.50 monthly. This means USD \$6.25 per day and USD \$0.78 per hour. At Style Avenue, there were no reports of failure to pay this minimum salary.

Meanwhile, GMIES believes that in order to carry out a responsible and accurate comparison between the value of each garment made at Style Avenue and the profits made by companies who distribute and sell those garments in the North, all direct and indirect costs must be taken into account. This means also considering the costs of transportation and shipment; raw materials; customs fees; payment of intermediaries; marketing costs; and many other costs. The estimate of these costs is not pertinent to the objective of this research.

Additionally, in the creation of each garment, assembly-line workers carry out different functions; the creation of one final piece is not the responsibility of only one worker. In fact, some operations are more complex than others. Therefore, it is not possible to establish a

precise relationship between the real value of a garment and the payment each worker receives in terms of fractions of an hour.

But, this does not mean lack of awareness of the current gap between the million-dollar profits that transnational garment companies can make from marketing clothes, and the income that textile workers in Southern countries make —workers who are not always able to lead a dignified level of living due to low salaries—.

While it is not possible legally or on the base of any code of conduct, to demand that companies improve salaries for workers in their supplier factories, under the logic of social corporate responsibility, transnational companies should commit to joint efforts with the management of their supplier factories to ensure progressive salary increases for workers of the factories that make their products; thus ensuring the satisfaction of basic human needs for workers and their families.

It is no secret that the current legal minimum wage in El Salvador is barely enough to cover the cost of the Basic Food Basket,⁸ and that it is far from satisfying all the needs contemplated in the Basic Expanded Basket⁹. The average value of the basic food basket from January-October 2011 was USD \$183.414,¹⁰ while the latest official data, from February 2010, estimates the Basic Expanded Basket at USD \$536.00. Therefore, it is evident that it is not possible, even with two minimum wage salaries, to cover the costs of the Basic Expanded Basket, much less in the case of single-parent households, where the responsibility for caring and providing for children falls on the mother alone.

Thus, workers in maquilas do not receive a dignified salary that would allow them to fully realize themselves as human beings.

4. Production goals

GMIES commissioned a specialized study applying the General Sewing Data system, based on pre-determined times (time measurements units, TMU). In other words, this engineering study involved an analysis of the methods, times, and movements associated with the clothing styles that are currently being produced by Style Avenue. The study was applied to three production lines through observation, time recording, and operations analysis¹¹.

⁸ Food necessary to adequately cover energy and protein requirements for an average individual (Definition established by the United Nations Development Program in the Human Development Report, El Salvador 2010).

⁹ The cost of the Basic Food Basket, plus costs of housing, health, clothing, and miscellaneous items. (Definition established by the United Nations Development Program in the Human Development Report, El Salvador 2010).

¹⁰ Our estimates based on monthly values published by the General Direction of Statistics and Census of the Ministry of the Economy of El Salvador, at <http://www.digestyc.gob.sv/>

¹¹ Two tables showing the comparative results of standard times and actual (real) times for each operation carried out in the production process at Style Avenue are included in the annex.



According to the results of this study, production goals for the styles currently being made at Style Avenue are reasonably calculated and reasonably achievable during an ordinary work shift- at a moderate work pace.

Style Avenue calculates production goals in the most basic way, considering only the amount of time it takes for each operation. But, even without having taken into account “dead time,” goals can be reached in a normal work shift and workers have a wide margin of time to attend to their physiological needs. In other words, considering that workers go to the bathroom and take water breaks on numerous occasions, goals are achievable in a normal shift of nine hours daily.

The goals established currently in production lines are from 1,200 to 1,500 pieces, depending on the style. For achieving these goals, factory pays a bonus of between USD\$ 2.50 to USD\$ 3.50 per day, which is considered a good practice. Still, the total wage paid to workers has continuously been insufficient for workers to cover the costs of the expanded market basket, as mentioned above.

Nevertheless, the engineering report concludes that the procedure to determine production goals could be improved upon, by making it more precise and including other variables to establish the number of pieces each line should make per day.

Finally, in over 90% of the worker interviews, it was corroborated that there are no restrictions regarding visits to the restroom or to drink water. There is no evidence that supervisors call workers that go to the restroom back to work over the loudspeaker.

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5. Allegations of verbal abuse

Of the total workers interviewed, 40% indicated that they were or had been victims of verbal abuse. Sadly, verbal abuse seems to be a very common and frequent practice within the company. Of a total of 12 supervisors and area chiefs on the production floor, a little more than 50% were identified as responsible for engaging in verbal abuse.

Verbal abuse consists of yelling and rude manners to get a person’s attention. In the worst cases, highly offensive words and phrases are mentioned, like, “you’re a shit,” or “old sonsofbitches.”

6. Freedom of movement

It was found that, before October 31, 2011, workers were prohibited from leaving the factory during their lunch period. However, after that date, all employees have been able to leave

the factory during the 45-minute lunch without restriction. Therefore, this limitation to the freedom of circulation that existed has been eliminated by the factory.

Thus, workers at Style Avenue can now leave the factory to look for less expensive food within the free trade zone. No evidence was found to suggest that workers are being forced to consume food in the factory cafeteria.

7. Production plant temperature

According to the measurements taken by GMIES, the following temperatures are reported:

Day	Time	Location	Result
November 3	3:10 p.m.	Between lines 2 and 3	33.0 °C (91.4°F)
November 3	3:13 p.m.	Between lines 4 and 5	33.4 °C (92.12°F)
November 3	3:15 p.m.	Between lines 7 and 8	33.3 °C (91.94°F)
November 3	3:18 p.m.	Between lines 8 and 9	33.9 °C (93.02°F)
November 3	3:20 p.m.	Between lines 9 and 10	33.7°C (99.66°F)
November 3	3:25 p.m.	Transfer	33.3°C (91.94°F)
November 3	3:27 p.m.	Packing	32.9°C (91.22°F)
November 3	3:27 p.m.	Cutting	32.8°C (91.04°F)
November 3	3:30 p.m.	Cleaning	32.00°C (89.6°F)
November 3	3:36 p.m.	Finishing	32.5°C (90.5°F)

It should be taken into account that these measurements were taken at a time of the year when the outside temperature tends to be low. In fact, cold fronts were reported in the country during the days of the on-site research, therefore making the environment cooler than usual¹². Thus, temperatures at the factory would surely be higher in the hottest months of the year: March, April and May.

The opinions of those workers interviewed confirm this: 65% of the workers indicated that heat is very intense inside the production plant.

¹² The average temperature for the month of October 2011 in the municipality of Ilopango, where Style Avenue is located, was 23.5°C. Data is available online at: http://www.tutiempo.net/clima/San_Salvador_Ilopango/10-2011/786630.htm

Therefore, based on the points above, GMIES considers that the ventilation system is insufficient to guarantee an adequate working environment for the workers, and improvements in the company's ventilation system are essential.

8. Allegations regarding contaminated water

On November 3, GMIES auditors took two water samples. The first was taken directly from the faucet that provides workers with drinking water. This water comes from a cistern and, in theory, undergoes a purification process through a filter. The second sample was taken from the cistern where the water is stored before being purified through the filter. In collecting the samples, all measures required to avoid external contamination were taken: the individuals taking the samples disinfected their hands and wore gloves and masks, and both the faucet where the sample was taken and the water collection receptacles were disinfected.

The results of the water analysis done by the laboratory partially confirm what IGLHR and FEASIES stated in their report. Five types of bacteria were not found. However, the overall bacteria count, and the presence of overall coliform, fecal coliform and *Escherichia Coli* were analyzed and all four levels were significantly above the standard. This means that the water is not apt for human consumption¹³.

The results mentioned above were obtained despite the fact that on October 28, 2011, the company had carried out preventative and disinfection maintenance on the filter and water storage tank.

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9. Restroom cleanliness

The majority of those interviewed —over 90%— do not report problems with the cleanliness of the restrooms. Of those interviewed, only 6% believed that the bathrooms are dirty the majority of the time. Additionally, the majority of those interviewed affirmed that the factory provides soap and hand dryers.

Visual inspection of the factory verified that the restrooms function adequately. However, in response to workers that raised problems of hygiene and cleanliness in the bathrooms, the factory should ensure that cleaning and maintenance tasks in restrooms are consistently carried out, particularly towards the end of the morning.

¹³ Chemical and Agricultural Services Laboratory, Universidad Centroamericana José Simeón Cañas, Report AMB-141111-01, 14 November 2011 (See results annexed to the current report).

10. Regarding loans

GMIES did not find evidence that company representatives make interest-bearing loans to workers. Of the 105 people interviewed, only 1 supervisor said that she herself grants loans to workers that request them, charging 10% interest. However, this practice is not illegal and is not related to the company's management, as the loans are made privately and not as part of the work relations at Style Avenue.

Therefore, it cannot be said that there is lack of compliance regarding this issue.

Additional Findings

1. Right to vacation

Salvadoran labor legislation recognizes the right to 15 days of paid vacation for each year of service completed, plus an additional payment corresponding to 30% of those 15 days¹⁴. In the specific case of Style Avenue, all workers who had completed a year of service as of May 2011 have not received payment of their vacation time at the time of the investigation.

In addition, it is important to mention that the vast majority of workers do not actually rest during their vacation period; instead, they prefer to work in the factory to earn more income for their households. However, as previously mentioned, the right to vacations necessarily implies that a person should rest, and as with all other labor rights, this right is inalienable.

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2. National healthcare and pension payments

Consistent delays in the payment of national health care and pension contributions were documented. Contributions to the Salvadoran Institute of Social Security (ISSS) and the Administrator of Pension Funds (AFP) between October 2010 and September 2011 were made past their due date.

The case of the ISSS contributions is particularly troublesome, because delayed payments could prevent medical attention for workers and their dependents. Fortunately, among those workers interviewed, there were no cases in which the ISSS denied healthcare services due to the company's late payments.

As an example, some payments were made many days after the expiration date: the ISSS payment corresponding to October 2010 should have been paid before November 30 of that year. However, it was not paid until January 4, 2011. Similarly, the due date for contributions

¹⁴ Art. 177 CT.



corresponding to May 2011 was June 30, but the factory paid it in two installments, in July and in August.

At the time of completion of this report, the company had not presented documental proof of payment of the latest contributions, for September 2011, whose payment due date was October 31.

In relation to the AFP, the same situation is present. For example, provisional contributions for October 2010 should have been paid before November 16, 2010, but the company did not make the payment until March 21, 2011. In the same manner, December 2010 contributions were not paid until July 5, 2011, while the payment due date was January 14. The April 2011 contributions were to be paid on June 14, but were paid on September 13 of the present year.

3. Application of Healthcare and Pension Deductions

It is important to mention that, before October 2011, the company maintained a payroll for the payment of salaries. However, for the payment and reporting of overtime, the company kept separate records and, with respect to production bonuses, Production Management maintained an informal record and payments of such incentives were made in cash.

The payment of overtime and of production bonuses was not included in the salary and, because of this, legal deductions corresponding to this income (from overtime and bonuses) were not applied, including those for health and pensions.

For the workers, this is advantageous because they receive more money in terms of their salary. But as the amount of their pension's contributions is affected, the impact will be felt at the time of retirement when they will receive a lower pension.

Fortunately, in the payment period corresponding to the two-week period of October 10-23, the company consolidated all payments into one single payroll; overtime and incentives are also being reported. As a consequence, the legal deductions for ISSS and AFP were made for this time period. This change is due to an observation made by the auditors of a buyer that recently began placing orders at Style Avenue.

4. Sexual Harassment

Regrettably, in addition to the verbal abuse previously indicated, GMIES also received complaints about sexual harassment from one supervisor against some female workers at Style Avenue. Within the sample of workers interviewed, a worker who was fired on July 18 claims that she was dismissed because she refused to give in to sexual insinuations from her supervisor. In the files of dismissed or retired employees that GMIES requested from factory management, there was no evidence of the existence of this worker. Even when the personnel file was requested using the name of the worker, the documentation was not provided by management.

Likewise, from interviews with some current workers at the facilities, practices constituting sexual harassment by this supervisor towards workers were verified, including:

- He touches their waists while saying phrases like, “you’re a little chubby, right?”
- He asks them when they can go out for a drink;
- He asks them insistently for their phone number;
- The supervisor places workers he wants to harass at the end of the line. In this location, no one else is able to witness the sexual harassment.

It was also mentioned in the interviews that the supervisor who displayed the sexual harassment, also consumes alcoholic beverages inside the factory. When he is inebriated, he becomes more aggressive and the sexual harassment increases.

Workers interviewed mentioned fear of losing their jobs if they denounce these acts. According to the testimony of some workers, said supervisor has the authority to fire workers without intervention by the Human Resources Department. The company does not have written policies or procedures about termination and retrenchment, which increases the risk of arbitrary firing.

IV. Final reflections for the stakeholders

For the Union GMIES considers positively the exercise of freedom of association as a fundamental human right. In this sense, the recent constitution of STIVES within Style Avenue is seen with much optimism. However, it is imperative to note that STIVES and FEASIES face great challenges in exercising responsible, attractive and forward looking trade unionism. Only in this way can the discouraging paradigm that surrounds unions in El Salvador be broken. This implies continuous and fluid dialogue with management within a framework of respect, as well as the consolidation of harmonious relations with supervisors and other company workers, in addition to the obligations that all workers have by virtue of their labor relationship. STIVES and FEASIES should take advantage of the great opportunity that the reinstatement of union leaders at Style Avenue signifies.

Management responsibility The current context also provides an opportunity for Style Avenue management to take responsibility for and correct past actions. The obstacles created against freedom of association should remain as past history. From now on, management at Style Avenue should act in good faith and with transparency during and after the execution of the remediation measures suggested in this report. Authentic and full collaboration of management will be fundamental to prevent new violations of labor rights from occurring in the factory. Likewise, Style Avenue management should demonstrate its will to dialogue and work alongside the union and to contribute to reducing the historic antagonism that has characterized these two groups —management and unions—.

The Role of the Brands The intervention by Outerstuff and College Kids in the labor conflict at Style Avenue has been, until now, opportune and positive. However, the greatest challenges are yet to come. The sustainability of the improvements that might be achieved at Style Avenue will depend, to a certain extent, on the continued attention that these companies give to the case.

Placing and maintaining production with a supplier factory is strictly a business decision. However, it is very important to take labor and social compliance into account. In this sense, brands should recognize the opportunity at hand for converting the Style Avenue case into an example for continuous improvement. Only the brands that are buyers at Style Avenue can contribute to this.

Fears about the closing of the company have been very strong in recent weeks. To a certain extent, the clients of Style Avenue should ensure their business relationship with the company for the period required by the remediation measures, in addition to a subsequent period of follow up. In this way, the principal worry of Style Avenue workers can be dispelled: maintaining their source of work.



V. Required corrective actions

Finding	Corrective Actions	Time Period
<p>1. Violations against the exercise of freedom of association</p>	<p>Action 1: Management should create a written policy about freedom of association and post it in visible places in the different work areas. Such policy shall include the express prohibition of reprisals against workers affiliated with a union or union sympathizers.</p> <p>Action 2: Training on labor rights for management, all supervisors, area chiefs, and groups of workers, with special emphasis on the legal framework for freedom of association and implications of the exercise of this right. Progressively, all employees would be covered by the trainings.</p> <p>Action 3: Deactivate a worker committee known as COMTRASA as an immediate step to address freedom of association concerns.</p>	<p>Start: Immediate action for implementation.</p> <p>Duration: Will depend on the programming that is achieved in agreement with management and until all the workforce are trained, including management, supervisors and chiefs. Maximum length of time: 2 months.</p>
<p>2. Violations of hours of work norms</p>	<p>Action 1: Management should include in its hours of work policy the following elements: A) Prohibition of night shifts that exceed 7 hours. B) Guarantee of one day of rest for each week of work. C) Guarantee of at least 8 hours of rest for those workers who work night shifts, before beginning the following day's shift.</p> <p>Action 2: Management should guarantee the usage of the electronic time tracking system at the beginning and end of night shifts.</p> <p>Action 3: Management should create proper capacity planning and scheduling through the supplier chain that includes the brands.</p>	<p>Start: Immediate action for implementation.</p> <p>Duration: Permanently in place.</p>



	<p>Action 4: Training of supervisors and area chiefs about the legal aspects concerning hours of work: day and night shifts, as well as overtime hours.</p>	<p>Start: Immediate action for implementation.</p> <p>Duration: Will depend upon the programming that is achieved in agreement with management. Maximum length of time: 2 months.</p>
<p>3. Verbal Abuse and Sexual Harassment</p>	<p>Action 1: Management should immediately warn, both verbally and in writing, all supervisors and area chiefs that harassment and abuse is strictly banned and those responsible for committing such behaviors would be sanctioned. As a result from the GMIES investigation report; a line supervisor (whom had been identified as having sexually harassed some workers) has been formally reprimanded, following a 1-day without pay suspension</p> <p>Action 2: Management should explain to all supervisors and area chiefs that harassment and abuse are “zero tolerance” conducts. After receiving such explanations, supervisors and area chiefs should sign a letter as a commitment to avoid this kind of behavior.</p> <p>Action 3: Management should reformulate its policy about prohibition of abuse and harassment, establishing that there is “zero tolerance” for such conduct.</p> <p>Action 4: The new policy prohibiting abuse and harassment in the factory shall be posted in multiple visible areas around the factory.</p> <p>Action 5: Management should design a confidential complaint mechanism to receive complaints of sexual harassment.</p> <p>Action 6: To complement the former action, management should design a</p>	<p>Start: Immediate actions for implementation.</p> <p>Duration: Permanently in place.</p>

	<p>procedure to investigate and process complaints of sexual harassment.</p> <p>Action 7: Management should guarantee the application of pertinent disciplinary actions in cases of harassment and abuse.</p>	
	<p>Action 8: Male and female supervisors and a group of workers will be trained to identify conduct that constitutes sexual harassment and verbal abuse, and how to adequately apply disciplinary norms.</p>	<p>Start: Immediate actions for implementation.</p> <p>Duration: Will depend on the programming that is achieved in agreement with management. Maximum length of time: 2 months.</p>
<p>4. Excessive temperature in the production plant</p>	<p>Action 1: Management should ask the MTPS to carry out an expert study on temperature.</p>	<p>Start: Immediate action for implementation.</p> <p>Duration: Maintenance of the ventilation system should be done permanently.</p>
<p>5. Water inapt for human consumption</p>	<p>Action 1: Based on the preliminary results from the GMIIES investigation, management to conduct further water testing at the factory. Two labs have been identified to carry out testing in the coming weeks. In collaboration with the lab, a plan to improve water potability will be created.</p>	<p>Start: Immediate actions for implementation.</p> <p>Duration: Water should be analyzed on a continuous and permanent basis. Similarly, the water supply system should be under periodic observation and should be subject to the necessary preventative maintenance.</p>
<p>6. Violations of the right to vacation</p>	<p>Action 1: Management should make a plan of the periods in which vacation will be granted (the rest 15-days period) and paid (the ordinary salary of these 15 days plus an additional 30%).</p> <p>Action 2: Management should develop a policy relative to the legal benefits, which mentions in an explicit way that each legal benefit will be granted.</p>	<p>Start: Immediate actions for implementation.</p> <p>Duration: Permanently in place.</p>



<p>7. Delays in security and social welfare payments</p>	<p>Action 1: Management should make a payment procedure regarding the social contributions, which mention the person in charge to ensure that these payments are made in compliance with the legal time frames.</p>	<p>Start: Immediate actions for implementation.</p> <p>Duration: Permanently in place.</p>
<p>8. Complementary actions</p>	<p>Action 1: Management should inform all supervisors and area chiefs that no dismissal will be made without the approval of the owners of the factory or the Human Resources Manager.</p> <p>Action 2: Management should request all supervisors of production lines (sewing) to fill daily production reports for each worker.</p> <p>Action 3: Management should develop policies and procedures regarding termination, which include procedures, conditions and personnel responsible in cases of dismissals and layoffs.</p>	<p>Start: Immediate action for implementation.</p> <p>Duration: Permanently in place.</p>



ANNEXES

1. Engineering Study Results
2. Water Analysis Results

Engineering Study Results

Table 1: Theoretical production targets vs. current production targets, “mameluco” style*

OPERATION	Current SAM**	Goal at 50%	Goal at 75%	Goal at 100%	Current Goal	
					Current	Goal
COLLAR (SEW)	0.1667	1,439	2,159	2,879	1,500	52%
SLEEVE (SEW)	0.2667	899	1,349	1,799	750	42%
SLEEVE (DECORATE)	0.25	960	1,440	1,920	750	39%
FIRST CLOSE	0.15	1,600	2,400	3,200	1,500	47%
LEG (SEW)	0.0833	2,881	4,321	5,762	1,500	26%
SECOND CLOSE	0.2332	1,029	1,543	2,058	1,500	73%
“TAQUEAR”	0.2666	900	1,350	1,800	750	42%
SLEEVE HEM	0.2333	1,028	1,543	2,057	1,500	73%
PUT SIZE VIGNETTE	0.15	1,600	2,400	3,200	1,500	47%
TOTAL	1.7998					

* Time in tenths of minutes

**Standard Allowed Minutes

Table 2: Theoretical production targets vs. current production targets, T-shirt style*

OPERATION	Current SAM	Goal at 50%	Goal at 75%	Goal at 100%	Current Goal	
SLEEVE HEM	0.25	960	1,440	1,920	700	36%
COLLAR CLOSE	0.0833	2,881	4,321	5,762	1,400	24%



SHOULDER CLOSE	0.2833	847	1,270	1,694	1,400	83%
COLLAR (SEW)	0.25	960	1,440	1,920	1,400	73%
TAPACOSTURA	0.2	1,200	1,800	2,400	1,400	58%
SLEEVE (SEW)	0.4167	575	863	1,151	700	61%
LATERAL CLOSE	0.75	320	480	640	467	73%
HEM (A FALDA)	0.2	1,200	1,800	2,400	1,400	58%
TOTAL	2.4333					

* Time in tenths of minutes

Water Analysis Results



Laboratorio de Servicios de Química Agrícola

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Informe AMB-141111-01

INFORME DE RESULTADOS

San Salvador, 14 de Noviembre del 2011.

Señores:
Grupo de Monitoreo Independiente de El Salvador
 Presente

Attn: [REDACTED]

Estimados Señores:
 Seguidamente, les informamos sobre los resultados obtenidos en los análisis realizados a dos muestras de **Agua Potable**, por ustedes proporcionada a este laboratorio el día 03 de Noviembre de 2011:

MUESTRAS	IDENTIFICACIÓN DE LAS MUESTRAS, DADA POR EL LABORATORIO	IDENTIFICACIÓN DE LAS MUESTRAS, DADA POR EL CLIENTE	CONDICIONES DE RECEPCIÓN DE LAS MUESTRAS
1	AMB-031111-01	CISTERNA	Bote de vidrio color ámbar previamente esterilizado.
2	AMB-031111-02	FILTRADA	Bote de vidrio color ámbar previamente esterilizado.

Resultados:

ANÁLISIS	CISTERNA	FILTRADA	NORMA SALVADOREÑA OBLIGATORIA NSO13.07.01:04
Recuento total de bacterias (UFC /mL)	24	35	Menos de 100
Coliformes totales (NMP /100mL)	20	20	Menos de 1.1
Coliformes fecales (NMP /100mL)	20	20	Menos de 1.1
<i>Escherichia coli</i> (UFC /mL)	8	17	Menos de 1

Método de análisis: APHA-AWWWA-WEF
 UFC. Unidades Formadoras de Colonia

Sin otro particular, nos despedimos de usted
 Atentamente

Lic. Claudia Alfaro
 Encargada del Área de Microbiología



[Signature]
 Karen Urquilla
 Analista Microbiológica

Cualquier reclamo se atenderá en los próximos 8 días hábiles Informe AMB 141111-01
 El laboratorio no se hace responsable de la confidencialidad de los resultados enviados vía FAX
 Este informe no puede ser reproducido en forma parcial, solamente de forma total