

Tehuacan: blue jeans, blue waters and worker rights

Maquila Solidarity Network and
The Human and Labour Rights
Commission of the Tehuacan Valley



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This research was carried out with the generous assistance of the International Development Research Centre (IDRC), Ottawa, Canada. We would also like to thank the Public Service Alliance of Canada (PSAC) and the Canadian Labour Congress (CLC) for contributing to the printing costs.

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February 2003

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Introduction

This publication grew out of a larger research project examining the impact of the North American Free Trade Agreement (NAFTA) and other trade agreements and policies on the garment industry in the Americas, and particularly on worker rights.

Tehuacan, Puebla is seen by many as a “winner,” a beneficiary from the dramatic growth in garment production and employment since NAFTA was signed in 1994. Tehuacan now competes with Torreon, Coahuila for the title “blue jeans capital” of the world, an honour previously held by El Paso, Texas.

Tehuacan: Blue Jeans, Blue Waters and Worker Rights is based on research and interviews carried out between September 2001 and May 2002 by the Human and Labour Rights Commission of the Tehuacan Valley. The Commission also provided updated information through to December 2002, some of which is also included in the report. The Maquila Solidarity Network (MSN) worked with the Commission on the editing of their final document, and contributed some sections of the study based on our own research. A more complete version of the report is being published separately in Spanish. This case study is a condensed and revised version of that report.¹

The research carried out by the Commission included a survey of government and industry documents, interviews with maquila workers, industry representatives, as well as with indigenous *campesinos* and local residents concerning the impact of the maquilas on their communities and the environment, and particularly on the water they use to cultivate their crops. In total, 30 workers were interviewed from several different maquila factories, 10 of whom worked in factories owned by one of the large consortiums that dominate the local industry, Grupo Navarra. Five industry specialists who had an overview perspective as supervisory and or training personnel within the maquilas were also interviewed. The researchers also provided photographic documentation of contaminated water discharged from the jean laundries and used to irrigate agricultural crops.

The Commission’s access to workers and indigenous people in the Tehuacan area was facilitated by its seven-year history of work in defence of the human rights of indigenous people of the Tehuacan Valley and surrounding communities, and more recently concerning the labour rights of young, indigenous workers who come from those communities to work in the maquilas.

¹ Martin Barrios Hernández and Rodrigo Santiago Hernández, *Tehuacan: Del calzón de manta a los blue jeans: La nueva industria del vestido, los derechos de los trabajadores y las comunidades indígenas*, Human and Labour Rights Commission of the Tehuacan Valley, A.C., in collaboration with the Maquila Solidarity Network (Canada), January 2003.

As we were doing final edits for this publication, we received word from the Commission that two workers had died from exposure to toxic chemicals in Grupo Navarra's Cualquier Lavado jean laundry, which produces jeans for a number of major US brands. This tragic event reinforces the importance of further research on the health and safety and environmental impacts of Mexico's new garment manufacturing-for-export industry, and the need for the development of new strategies and alliances to promote respect for the rights and health of workers, indigenous people and communities.

Since this research was completed, the impacts of the recession in the US continue to be felt. In Mexico, there are daily media reports of maquilas fleeing Mexico to lower wage countries such as China, Honduras and Haiti. Reports suggesting that long-time brand-name customers (such as Wrangler and Lee) might pull out of Tehuacan are also beginning to appear. Current wage levels in Tehuacan and other garment centres, which according to this and other reports, do not meet workers' basic needs, are often blamed for the flight of jobs. Further research is clearly needed to document shifts in orders and investment from Mexico to other countries and regions, and to assess whether this is a temporary phenomenon or a long-term trend. A key question facing organizations committed to worker rights, including the Commission and ourselves, is how shifting investment and sourcing patterns as a result of trade agreements and economic trends will impact on wages, working conditions and efforts to improve them.

This study concludes with five broad recommendations that both the Commission and ourselves hope will contribute to a rethinking of strategies to achieve greater respect for workers' rights in Tehuacan's garment industry and elsewhere. They are directed to companies (brands and manufacturers), government agencies, researchers and democratic labour rights activists. It is only with the combined efforts of all stakeholders that the issues and problems raised in this report will be seriously addressed.

It was a pleasure to work with the Commission through the course of this project. We continue to be impressed by their creativity and tenacity. Our hope is that the publication of this study in both Spanish and English will contribute to ongoing efforts to expose and alleviate the negative consequences of Mexico's current economic development model.

Maquila Solidarity Network, Toronto, Canada
February 2003

The Context: Mexico's Garment Industry

- NAFTA and Mexico's Garment Boom

With the signing of the North American Free Trade Agreement (NAFTA) in 1994, Mexico's garment production for export began to boom. According to official statistics, garment and textile production tripled from a total aggregated value of US\$2 billion in 1994 to \$7.5 billion in 2000.² The number of workers employed in the garment industry grew from 196,427 in 1994 to 380,591 in 2000.³

Much of this growth has taken place in maquilas, plants that assemble US-made components that are then exported back into the US, with tariff paid only on the value added,⁴ where garment production has increased ten fold from a total aggregated value of US\$90 million in 1994 to \$1.2 billion in 2000.⁵ Employment in garment maquilas has increased from 73,000 in 1994 to 278,551 in 2001.⁶ Research by UNIFEM using a variety of government sources concludes that increasing employment in the garment industry since 1991 has been almost completely due to the growth of maquila jobs.⁷ In this period, apparel exports increased as a percentage of Mexico's total exports from 0.3% in 1990 to 5.6% in 1999.⁸

² Instituto Nacional de Estadística Geografía e Informática (INEGI), *La Industria Textil y Del Vestido en México Edición 2000* (Aguascalientes: INEGI, 2000), p. 29 and Instituto Nacional de Estadística Geografía e Informática (INEGI) *La Industria Textil y Del Vestido en México Edición 2001* (Aguascalientes: INEGI, 2001), p. 5.

³ INEGI (2000), op cit., p. 39 and INEGI (2001), op cit., p. 43.

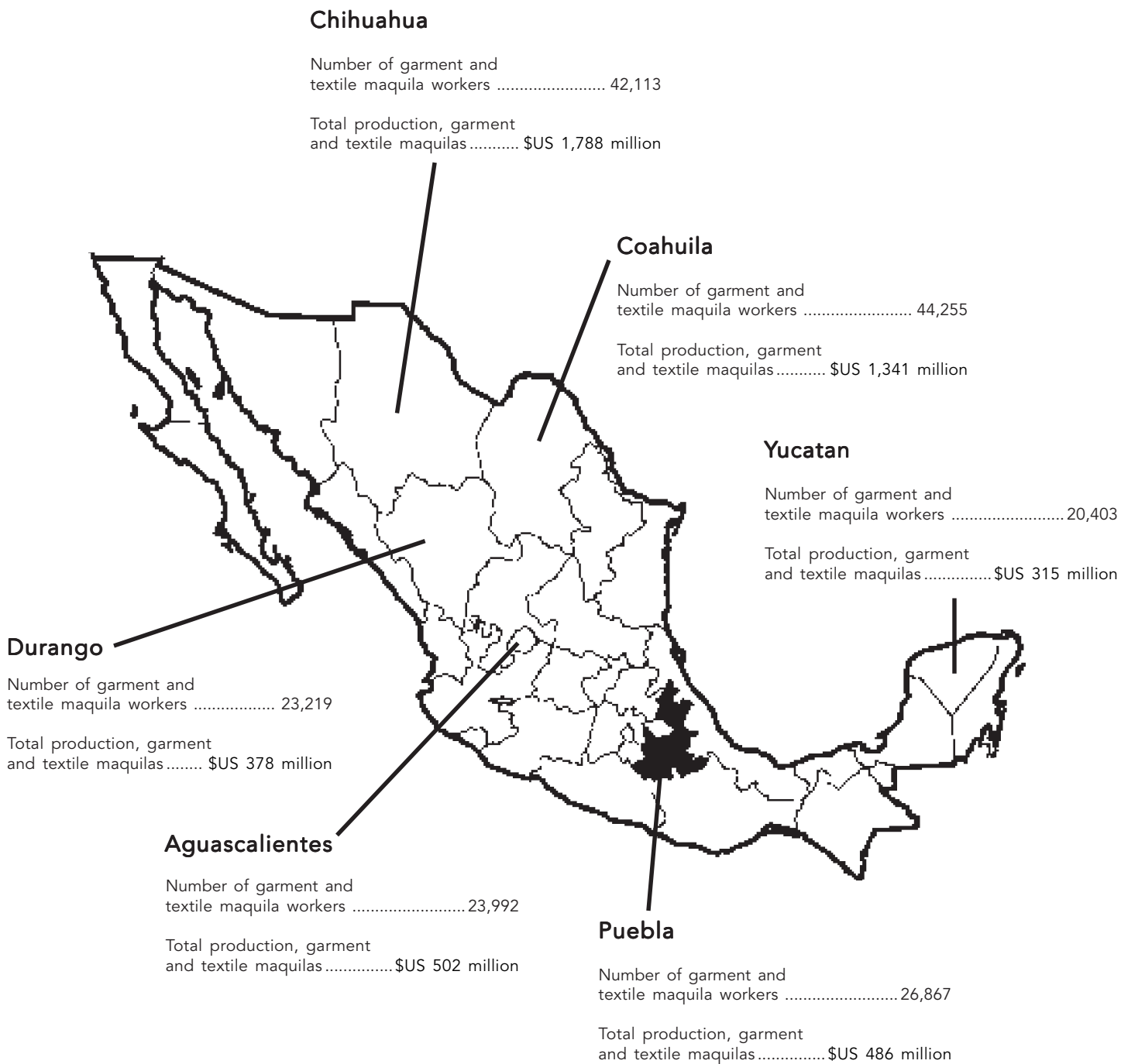
⁴ Maquiladora assembly-for-export factories were first established in the late 1960s, following the introduction of the Border Industrialization Program (BIP) which permitted the importation of parts and export of finished goods duty free, except for value added in Mexico. Initially, maquila factories could only be located in the northern border region of Mexico, but in 1972, the regulations were changed so that maquilas could be set up anywhere in the country. Technically speaking, the term "maquila" refers to a factory registered under this program. However the common usage of the term has extended beyond this definition to refer to any factories producing for export and/or producing garments and/or other products. In Tehuacan, Puebla, for example, garment factories are referred to as "maquilas" whether they are producing for the export or national markets. The term has become further blurred since following NAFTA's implementation (which is technically designed to phase out the maquila program), fewer factories are registering under the BIP program.

⁵ INEGI (2000), op cit., p. 45 and INEGI (2001), op cit., p. 49.

⁶ INEGI, Banco de Información Económica (BIE), <http://www.inegi.gob.mx/difusion/espanol/fbie.html>. (August 2002).

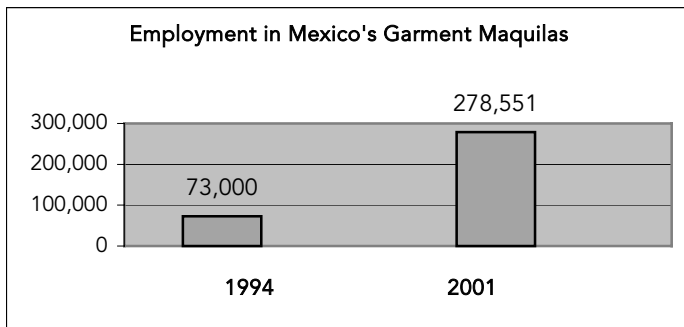
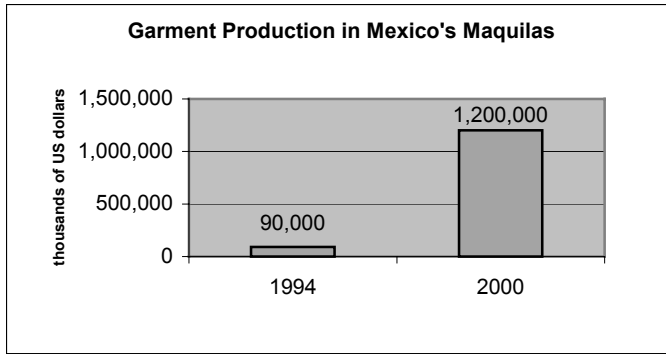
⁷ UNIFEM, *NAFTA's Impact on the Female Work Force in Mexico*, (2000), p. 46.

⁸ Gary Gereffi, "Outsourcing and Changing Patterns of International Competition in the Apparel Commodity Chain," paper presented at the Responding to Globalization: Societies, Groups and Individuals Conference, Boulder, Colorado, April 4-7, 2002.

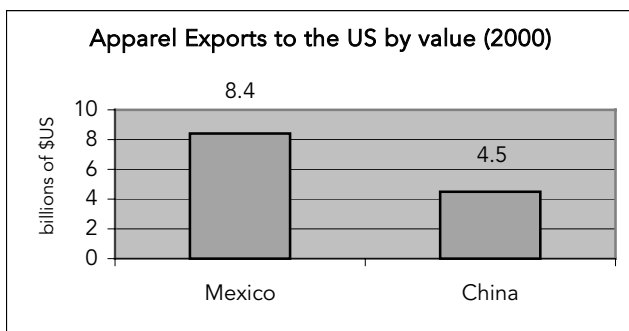


Garment Centres in Mexico, 1999

Source: Instituto Nacional de Estadística Geografía e Informática (INEGI), *La Industria Textil y Del Vestido en Mexico Edición 2000* (Aguascalientes: INEGI, 2000), pp. 22-23. Format conceptualized by Huberto Juárez, Benemerita Unversidad Autónoma de Puebla .



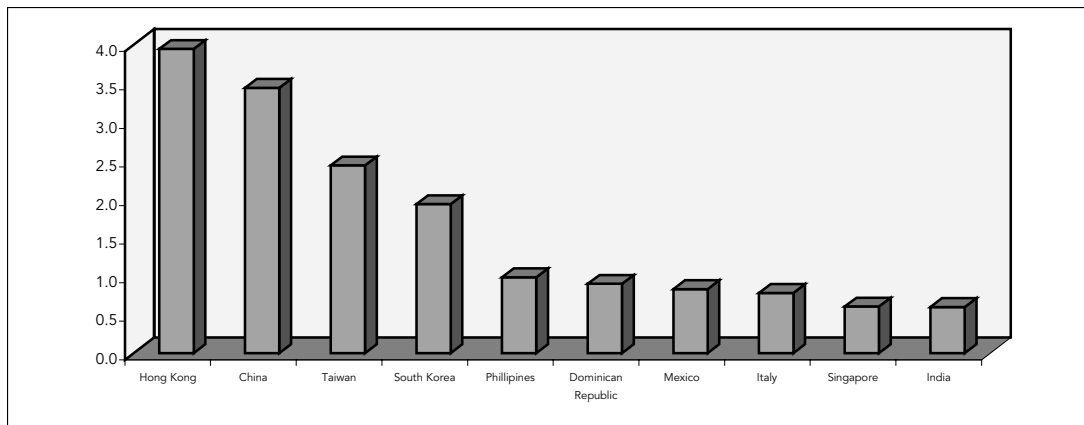
The United States continues to be the primary export market for Mexico's apparel products. Between 1993 and 1996, the US share of Mexico's apparel and textile exports went up by 17.2%, to a total of 86.4%.⁹ Conversely, Mexico now contributes the greatest share of the US's apparel imports, surpassing China. In 2000, Mexico became the number one exporter of apparel to the United States in both value and volume. Mexico exported US\$8.4 billion dollars worth of apparel to the US in 2000, followed by China at US\$4.5 billion.¹⁰



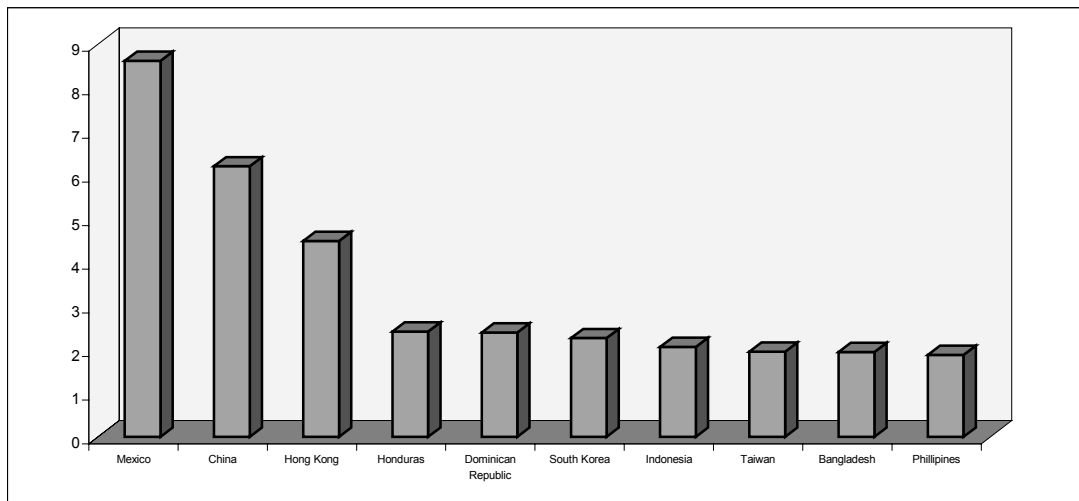
⁹ Office of the United States Trade Representative (USTR) Study on the Operation and Effect of the North American Free Trade Agreement (Washington: USTR, undated).

¹⁰ US Department of Commerce, Office of Textiles and Apparel (OTEXA), U.S. Imports of Textile and Apparel, <http://otexa.ita.doc.gov/scripts/tqexp.exe> (June 2002). Hong Kong and Macao's exports to the United States are not included in this calculation. If apparel exports from these two entities, which are part of the larger Chinese Economic Zone, were included, China's apparel exports to the United States in 2000 would total US \$10.1 billion.

US Apparel Imports, 1991 (value in billions of US dollars)



US Apparel Imports, 2000 (value in billions of US dollars)



Source: US Census Bureau

Unlike other types of maquila production, which has traditionally been concentrated along the border, garment production in Mexico tends to be concentrated in the central and southern states. In 1994, according to official statistics, garment and textile establishments along the border numbered 160 as compared to 238 in the interior of the country. In 1999, this figure had increased to 283 establishments along the border and 692 south of the border region.¹¹ Statistics from the Instituto Nacional de Estadística Geografía e Informática (INEGI) reveal that 78% of jobs in the clothing and textile industry are located in non-border areas.¹²

INEGI figures also indicate that the garment sector in a number of states has experienced significant growth since 1994. Among these, Coahuila and Puebla have seen the most dramatic expansion in garment production and employment.

¹¹ INEGI (2000), op cit.

¹² UNIFEM, op cit., p. 54.

Industry analysts talk about the emergence of regional clusters as part of this garment boom, often focused around a specific sector of the apparel industry. For instance, Hidalgo is considered an area specializing in men's wear, Aguascalientes in women's wear, and Puebla, particularly Tehuacan, and La Laguna in jeans and other denim wear.¹³ Preliminary research indicates that sourcing networks are being established between regional clusters, for example textile products manufactured in La Laguna being sent to Tehuacan, Puebla for assembly. In addition, garment-producing cities in Mexico often have special production network links with specific US cities.¹⁴

- Will Full Package Benefit Mexico and Mexican Workers?

According to some industry analysts, Mexico has been able to increase its US apparel market share, not solely through its superior trade preferences and proximity, but also by improving the quality and sophistication of its apparel production.¹⁵ They argue that, as a result of NAFTA, which removed the restrictions on domestic inputs and sales to the domestic market inherent in the maquila assembly-for-export model, the door is now open for US and Canadian, as well as Mexican investment in more integrated production processes that would allow Mexico to continue to be competitive with Asia.¹⁶

For example, in 1999, Gary Gereffi and Martha Martinez challenged critics of the North American Free Trade Agreement (NAFTA) by suggesting that

¹³ Judi Kessler, "How Mexico Figures into the Strategies of L.A.'s Key Players," *Bobbins* (October 1998); Judi Kessler, "New NAFTA Alliances Reshape Sourcing Scene," *Bobbins* (November 1999); Gary Gereffi and Jennifer Bair, "U.S. Companies Eye NAFTA's Prize," *Bobbins* (March 1998); and Mercedes Cortazar, "Puebla Stands Out in Mexican Manufacturing," *Apparel Industry Internacional* (March 1999); and Gary Gereffi, Martha Martinez and Jennifer Bair, "Torreon: The New Blue Jeans Capital of the World," in Gary Gereffi, David Spener and Jennifer Bair eds., *Free Trade and Uneven Development: The North American Apparel Industry after NAFTA* (Philadelphia: Temple University Press, 2002).

¹⁴ See *Free Trade and Uneven Development: The North American Apparel Industry after NAFTA*, for several articles that describe linkages between Torreon, Coahuila and El Paso, Texas; Tehuacan, Puebla and Los Angeles, California; and Aguascalientes and San Francisco, California. Interestingly, these links don't seem to exist between El Paso, Texas and Ciudad Juarez, Chihuahua.

¹⁵ Gary Gereffi is the chief advocate of this analysis of the Mexican apparel industry, along with Jennifer Bair and Martha Martinez. Key readings are: Gary Gereffi, "Global shifts, regional response: Can North America meet the Full package challenge?," *Bobbins* (November 1997); Gary Gereffi and Jennifer Bair, "U.S. companies eye NAFTA's prize," *Bobbins* (March 1998); Gary Gereffi, "International trade and industrial upgrading in the apparel commodity chain," *Journal of International Economics*, p. 48 (1999); Gary Gereffi and Martha Martinez, "Blue Jeans and Local Linkages: The Blue Jeans Boom in Torreon, Mexico," October 1999, on file; Gary Gereffi and Martha A. Martinez, "Torreon's blue jeans boom: Exploring La Laguna's Full package solution," *Bobbins* (April 2000); Jennifer Bair and Gary Gereffi, "Local Clusters in Global Chains: The Causes and Consequences of Export Dynamism in Torreon's Blue Jean Industry," *World Development*, vol. 29 no. 2, (2001); and Gary Gereffi, David Spener, and Jennifer Bair eds., *Free Trade and Uneven Development: The North American Apparel Industry after NAFTA* (Philadelphia: Temple University Press, 2002).

Other industry analysts such as Judi Kessler have built upon their work. See: Judi Kessler, "New NAFTA alliances reshape sourcing scene," *Bobbins* (November 1999); Judi Kessler, "Southern California: Transition takes hold," *Bobbins* (October 1998); and Judi Kessler, "How Mexico figures into the strategies of L.A.'s key players," *Bobbins* (October 1998). The United Nations Economic Commission for Latin America and the Caribbean has also adopted Gereffi's analysis in a recent report. See: *Foreign Investment in Latin America and the Caribbean: 1999 Report* (Santiago: United Nations Economic Commission for Latin America and the Caribbean, 2000).

¹⁶ Under NAFTA, apparel made of Mexican fabric and components, and assembled in Mexico can be exported to Canada or the United States without quotas, and eventually tariff-free.

NAFTA was “transforming the export sector in Mexico by substituting traditional maquila production with a new and more integrated form of export manufacturing” known as full package production.¹⁷ “This full package model,” they claimed, “provides better opportunities for development by accelerating technology transfer, creating high quality jobs with better wages, and providing opportunities for local entrepreneurs, correcting some of the exploitative characteristics of the maquila production system.”¹⁸

Gereffi and others identify the development of full package production networks as a significant step in industry upgrading, arguing that this trend has the potential to benefit workers and local economies alike. Unlike the maquila assembly model, which relies exclusively on foreign inputs and creates few backward linkages to local businesses, full package production, according to Gereffi, can potentially support the development of local industries and investment. He claims that investment in more capital-intensive textile and laundry plants can also signal more long-term investment in a particular region, as it has in some Asian countries.¹⁹



Gereffi and Martinez came to these conclusions based on their research into the changes in investment, sourcing practices and the organization of garment production in Torreon, Coahuila and the surrounding Laguna region. They observed that NAFTA and the devaluation of the Mexican peso were encouraging the introduction of new manufacturing activities and the involvement of new types of buyers in the region. They suggested that US retailers and apparel merchandisers were beginning to see Mexico as an alternative to Asia as a source of their private label and branded apparel.

Gereffi and Martinez then went a step further in asserting that the presence in the region of major brand merchandisers with “very detailed codes of conduct” was resulting in improved working conditions “often better than those in similar facilities in the United States.”²⁰ While admitting that unions had been weakened by the federal government “in tandem with the liberalization of the economy” and that “effective representation and collective bargaining ha[d] almost disappeared,” they claimed that workers were using

¹⁷ Full package production refers to a number of steps in the manufacturing process, from the acquisition or production of textiles and other inputs to assembly, packaging and sometimes distribution. While maquiladora plants assemble imported precut garments, manufacturers offering Full package services coordinate the various stages in the production process. Gary Gereffi and Martha Martinez (1999), *op cit.* p. 2.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ *Ibid.* p. 6.

their mobility in a competitive labour market to negotiate small wage increases, productivity bonuses and non-monetary benefits.²¹

In 2001, Gereffi, together with Jennifer Bair, carried out a second, more detailed study on jean production in the Laguna region, with less optimistic findings. While their study confirms that there has been a “significant shift” from maquila assembly production toward “full package networks characteristic of buyer-driven commodity chains,” it cautions, “the outcomes for local firms and workers are mixed.”²²

Specifically, their study shows that “a significant portion of full package orders in Torreon was being handled by a small number of first-tier manufacturers,”²³ and that the majority of the Mexican firms providing full package services to foreign buyers are owned by “family members related by blood or marriage.”²⁴ The significant amount of working capital needed to invest in and upgrade full package facilities, as well as to purchase fabric, and the need for direct links to US clients clearly limits the possibilities for smaller local manufacturers to get into the full package market.



The study concludes, “[T]he development of full package networks in Torreon is primarily benefiting a wealthy domestic elite whose control over the local industry is being further strengthened by its exclusive access to the US customers placing orders in the region.” It goes on to say that “while these orders are received by a few large, full package manufacturers in Torreon, they are actually being filled by a burgeoning array of contractors and subcontractors organized into tiers of hierarchical networks controlled by the dominant firms in the cluster.”²⁵

As a result, local firms face pressures from both US buyers and the first tier Mexican full package manufacturers to “reduce their production costs to a minimum in order to offer a competitive price.”²⁶ The consequences for the majority of manufacturers is downward pressure on profit margins, and for workers downward pressure on wages.

However, despite these less than optimistic findings of Gereffi and Bair’s second study of garment manufacturing in the Torreon region, they continue to argue that working conditions are better in the larger full package production

²¹ Ibid.

²² Jennifer Bair and Gary Gereffi, “Local Clusters in Global Chains: The Causes and Consequences of Export Dynamism in Torreon’s Blue Jean Industry,” *World Development*, vol. 29 no. 2, (2001), p. 6.

²³ Ibid. p. 10.

²⁴ Ibid. p. 11.

²⁵ Ibid.

²⁶ Ibid.

facilities, and that the presence of the major brands using these facilities has contributed to improved working conditions.²⁷

Gereffi and Bair's assertion that the move to full package production is leading to improved wages and working conditions appears to be largely based on interviews with industry representatives, factory managers, observation during factory visits, and the assumption that voluntary codes of conduct and the threat of public exposure for links to sweatshop practices have been effective in eliminating the worst worker rights abuses.²⁸

In the case study that follows, we look at the impacts on workers, indigenous communities, and the environment in Mexico's other jean capital, Tehuacan, as a result of the growth and restructuring of the local garment industry and the introduction of new industry players and new production processes after the signing of NAFTA.

The changes occurring in Tehuacan are of particular importance to workers and communities in southern Mexico and Central America because the economic development strategy being implemented in the Tehuacan region is now being promoted by the Mexican and Central American governments, through the Plan Puebla-Panama (PPP), as the model for economic and social development of Mexico's southern states and the Central American region.

²⁷ Ibid. p. 13.

²⁸ There is a need for more in-depth research documenting maquila workers' perspectives on how industry restructuring in Torreon has affected their working conditions and wages. Preliminary research based on interviews carried out by local labour and human rights advocates with maquila workers from several full package facilities in Torreon illustrated that workers had serious concerns about inadequate wages, the increasing pace of production, discrimination against pregnant workers, failure to provide statutory holiday and vacation benefits, and health and safety issues. The most serious concern of all workers was inadequate wages.

Worker interviews seem to indicate that earlier studies based on information from management personnel overestimate workers' wages and bonuses and the ability of workers to increase their incomes through increased productivity. More research is needed on how bonuses and overtime pay contribute to total income, and to what degree production bonuses and pressure to work overtime affect workers' health, family life and general well being. Further research is also needed on what constitutes a living wage in the Torreon area. While preliminary interviews indicate that there is little forced overtime and no production quotas that must be met, production targets, pressure from supervisors and/or work teams and the need for overtime pay to meet basic needs compel workers to work long hours at an ever increasing pace of production.

In the interviews, a number of workers expressed concerns about health problems that could be associated with exposure to fabric dust, and pains in various parts of their bodies that could be associated with the pace of work. A few workers were also concerned about possible health problems from exposure to chemicals used in laundries. Research is needed on the impact of chemicals used in laundries on the health of workers and residents of communities in the vicinity, as well as the impact of the use of water by laundries on communities and the environment.

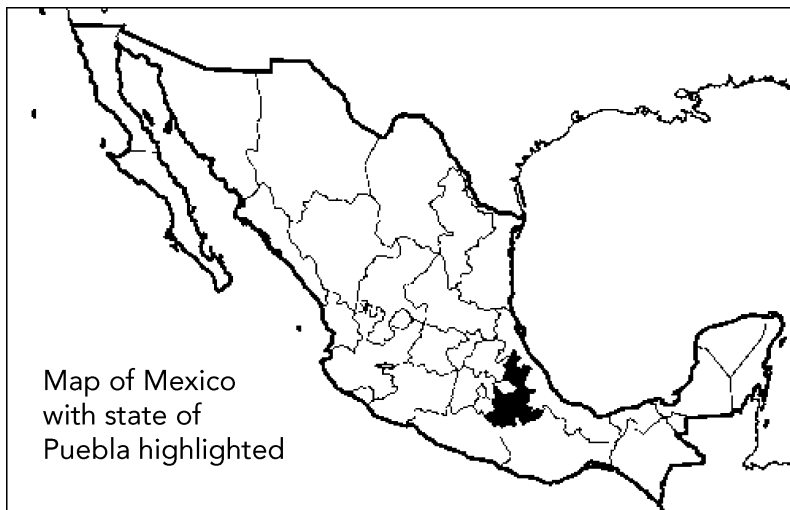
Although there were very few reported instances of specific violations of freedom of association, clearly a number of workers felt organizing to improve conditions would lead to their dismissal or other negative consequences. There appears to be a climate of fear in the factories discouraging workers from discussing the possibility of organizing to improve wages and working conditions. Knowledge of codes of conduct and their purpose, as well as the role of monitors, appears to be limited among most workers interviewed. Workers who were aware of codes and monitoring were extremely sceptical about the possibility of making improvements through the use of codes, and extremely distrustful of monitors. It is therefore highly unlikely that the workers' perspective on labour practices and working conditions will be reflected in monitors' reports.

Tehuacan: Mexico's Other Jean Capital

- Tehuacan, "Ciudad de Indios"

Tehuacan, the second largest city in the state of Puebla, whose original name was Tehuacan, City of Indians,²⁹ now competes with Torreón for the title of "Jean Capital of Mexico." While the inhabitants of Tehuacan and surrounding communities are predominantly of indigenous origin, as are the young women and men who work in the region's export garment factories, ownership of the maquila industry is concentrated in the hands of a few elite families of Spanish origin.

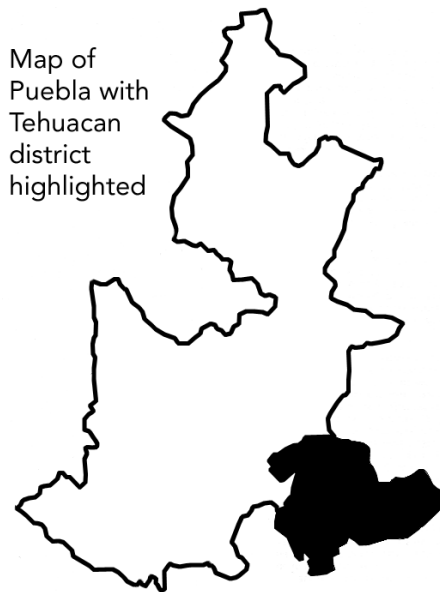
Tehuacan's garment industry has a history of over 30 years, although until the 1980s, manufacturers produced primarily for the domestic market.³⁰ The Mexican government's trade liberalization policies of the mid-1980s encouraged a transformation in the industry toward export manufacturing, primarily for the US market. Following the signing of NAFTA in 1994, Tehuacan experienced a boom in garment export manufacturing, and a second restructuring of the industry to meet the needs of new buyers.



²⁹ Acta de Cabildo de Tehuacán del 16 de marzo de 1660. Cited in Joaquín Paredes Colín, *Apuntes Históricos de Tehuacán* (1910).

³⁰ Information from an interview with Javier López, director of the local delegation of the Cámara Nacional de la Industria de la Transformación, Canacintra, January 29, 2002.

The signing of NAFTA was also accompanied by the dismantling of constitutional rights to communal land ownership and changes to water access rights that amounted to a privatization of this vitally important resource. These changes would have a dramatic impact on indigenous communities and cultures that coincided with the boom in maquila investment and, together with the lure of employment, encouraged the movement of indigenous youth from their traditional rural communities to urban wage labour in the maquilas of Tehuacan and surrounding towns.



Before NAFTA, some Mexican-owned companies in the Tehuacan region were already producing garments for export to the US market, but the greatest growth in investment in export production, employment, development of infrastructure, and automation took place in the five-year period after NAFTA was introduced, from 1995 to 2000.

This period also saw the entry of major US retailers and brand merchandisers as new actors in Tehuacan's maquilas. The US jean manufacturer, Guess, was one of the first companies to shift production to Tehuacan to maquilas owned by local consortiums such as Grupo Navarra.

In January 1997, *The Wall Street Journal* reported that Guess was planning to transfer the majority of its production to Mexico and other Latin American countries, at least in part because of accusations by US unions and anti-sweatshop activists of sweatshop abuses in its Los Angeles contract factories, and increased vigilance by the US Department of Labor concerning its labour practices.³¹

Other US brand merchandisers and retailers followed, including Levi Strauss, VF Corporation, Sara Lee, Farah, Calvin Klein, Tommy Hilfiger, Gap, Polo Ralph Lauren, The Limited, etc. In response to the production demands of these new actors in the Tehuacan garment industry, some of the largest local manufacturers began to invest in new facilities and technology in order to provide full package services for these companies. Some US-based manufacturers, such as the Tarrant Group, also entered the picture, buying existing Mexican assembly plants, building new facilities, and creating full package networks.

³¹ *Cross Border Blues: A Call for Justice for Maquiladora Workers in Tehuacán* (Chicago: National Interfaith Committee for Workers Justice. July 1998).

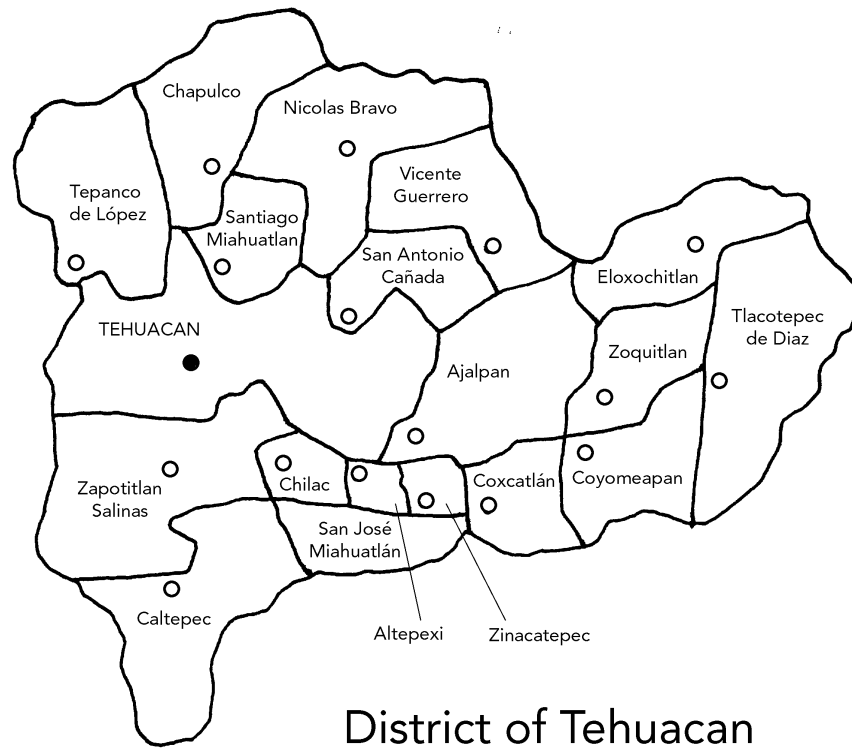
US brands produced in the Tehuacan region

The following is a partial list of US brand-names that appear on products manufactured in the Tehuacan region, classified by company type:

Type of Clients	Name
Manufacturers	Sara Lee (M) Farah (M) Sun Apparel (Jones Apparel Group) (M) Ditto Apparel (M) Azteca Production International (M) Tarrant Apparel Group (M)
Brand Merchandisers	Levi Strauss (BM, M) Wrangler (BM, M) (owned by VF Corporation) Guess (BM) Calvin Klein (BM) Tommy Hilfiger (BM) Polo Ralph Lauren (BM) Reebok (BM) Cherokee (BM) Paris Blues (BM, M) Quicksilver (BM) Dockers (BM) Ocean Pacific (BM) Lei (BM)
Retailers	Gap (BM, R) Old Navy (BM, R) (owned by Gap) Banana Republic (BM, R) (owned by Gap) American Eagle (BM, R) Armani (BM, R) Structure (BM, R) (owned by The Limited Inc.) Express (BM, R) (owned by The Limited Inc.) JC Penney (R) (Arizona private label) Hub Distributing Inc. (BM, R) (Anchor Blue) XoXo (BM, R)
Date: September 2002	

(M) Manufacturer; (BM) Brand Merchandisers; R (Retailer).

Classification used by Bair and Gereffi in: Jennifer Bair and Gary Gereffi (2001), *op cit*.



The dramatic growth of Tehuacan’s garment export manufacturing sector prompted the state Secretary of Economic Development to declare in 1999 that the city had been transformed into the “blue jean capital of the world.”³² At the end of 2000, the local branch of the National Garment Industry Association claimed there was “practically no unemployment” in Tehuacan and that people who didn’t have jobs “didn’t want to work.”³³

Unfortunately, the US economic downturn in 2001 and the resulting loss of employment in Tehuacan has called into question this overly optimistic forecast of long-term economic growth and full employment, as well as this export-led economic development model that is so dependent on an ever-growing US consumer market.

● Impact of Maquilas on Indigenous Communities

The culture and way of life of indigenous *campesinos* in the region have undergone significant changes as a result of the growth of the maquila industry. The vast majority of indigenous youth in the region have now abandoned the

³² Mario Riestra Venegas, former Secretary of Economic Development of the State of Puebla, currently in charge of “Casa Puebla” in New York City, cited in *Síntesis* (October 25, 1999).

³³ José Méndez Gómez, director of the Puebla delegation to the National Garment Industry Association, cited in Jesús Ramírez Cueva, “Tehuacán: la capital de los jeans,” *La Jornada*, 29 July, 2001.

countryside and are working in the maquilas in Tehuacan and surrounding cities and villages.

The City of Tehuacan is the centre of the judicial district that includes the 18 municipalities located in the Tehuacan Valley, the Altiplano, the Sierra Negra and the Mixteca. In all of these municipalities the majority of the population is indigenous. Indigenous culture continues to survive in many Nahuas and Maztateco communities in the Sierra Negra and the Mixteca. However, in the majority of Popoloca communities in the Tehuacan Valley and Atiplano, the indigenous language has been lost, with the exception of San Luis Temalacayuca in the zone of San Marcos Tlacoyalco, where popoloca is still spoken. In many of these villages, only older adults are left to cultivate the earth. Due to the lack of a young labour force, the older people who remain now have to collaborate with their neighbours in Cuayucatepec in order to sow and produce crops, through a partnership system in which they provide the land and water and their neighbours contribute their labour.

While migration of young people to the city is the dominant trend, in recent years some maquila assembly factories have been established in rural communities. In assembly factories located in the Sierra Negra, such as Famian Plant #8, owned by Grupo Tarrant, in the municipality of Vicente Guerrero, and Confecciones Santa Catarina in Santa Catarina Oztolotepec, workers are paid between 250 and 300 pesos a week.³⁴ The state government has also directly invested in a garment assembly plant in Vicente Guerrero, which produces apparel for the domestic market.

Another significant impact of the maquilas on indigenous communities is the use and contamination of water by jeans laundries, the same water that many indigenous communities use to irrigate their crops. The largest aquifers in the region are located in the Altiplano zone, in the municipalities of Tepanco de Lopez and Santiago Miahuatlan, as well as under some villages adjacent to Tehuacan, including San Lorenzo Teotipilco, San Bartolo Teontepec, and Magdalena Cuayucatepec, from which Tehuacan gets its water supply.

The water from this region contains a high concentration of minerals, including calcium, phosphorus, magnesium, copper, zinc, manganese, potassium, sodium and iron, which makes it ideal for the production of bottled mineral water, still an important industry in the Tehuacan region.³⁵

In this zone, indigenous *campesinos* use the same water for the production of corn, alfalfa and chilies. Before the rainy season, indigenous communities depend upon an irrigation system of canals that carries water from the subterranean aquifers to the crops. To manage this system of canals, they have organized water societies.

Water is the crucial element in the local indigenous culture, and has been part of the religious rituals of the region since before the Spanish conquest. The

³⁴ US\$24.45 – US\$29.34 or Cdn\$38.74 - Cdn\$46.49

³⁵ Information from the Peñafiel bottling company, www.cadburymexico.com.mx



The Government is Responsible for the Young People Leaving

A lot of young people from my community, including my nieces and nephews who are 20 and 25 years old, are already working in the maquiladoras in Vicente Guerrero and Tehuacan. They live temporarily in rented rooms in the city.

We come to San Diego Chalma or Ajalpan to work as day agricultural labourers because there isn't any work in our village, except for our own cornfields. In the mountains the daily income is 40 pesos; we only get about 200 pesos a week to provide for our families. Here in the valley we're paid 75 pesos a day, but it's really rough, because we work from 6:00 in the morning to 6:00 at night sowing *miahuateco* chilies, cucumbers, pumpkins, and other vegetables.

In the months of the sugar harvest, many of us *campesinos* from the Sierra Negra go to Veracruz to cut cane for the sugar refineries of Motzorongo, San José de Abajo, La Margarita and Omealca. Cutting cane is heavy work because it's very hot and you have to carry the cane on your shoulder. If you work hard cutting cane you can earn about 100 pesos a day, but it's crumbs.

Those of us who are older prefer to work in the countryside, because we don't need much, even with just a tortilla with salt for our children we somehow manage. It's the government that's responsible for the young people leaving for the maquilas; it's because of them we *campesinos* have to work away from our villages, because they don't provide us enough resources so we can survive. We have to leave because there's no other way to live.

If we, *campesinos*, aren't there [in our villages], who will sow our cornfields?

Victorio Valente Ruiz y Virgilio Córdoba

Nahuat Campesinos from Tulimanca and Telpatlán, Vicente Guerrero, Sierra Negra.

Interviewed in the chili fields of San Diego Chalma, Tehuacán

The Garment Industry in Tehuacan

- Profile of the Industry

While most of the maquilas in the region are located within Tehuacan and adjacent communities, maquilas have also been established in a number of surrounding towns, including Santiago Miahuatlán, Chapulco, Vicente Guerrero, Altepexi, Zapotitlán Salinas, San Gabriel Chilac, Zinacatepec, Coxcatlán and Zoquitlán.

Garment manufacturing is the most important industry in Tehuacan, and jeans are the industry's number one product. The industry produces 50 million garments a month, 40 million of which are for export. The value of garment exports is US\$450 million a year, as compared to \$200 million for the soda and bottled water industry, \$250 million for the agricultural sector, and \$100 million for the local commercial sector.³⁷

Although most textiles and other inputs and machinery are imported, in recent years some of the larger manufacturing consortiums that provide full package services, such as Tarrant Mexico, are investing in textile production facilities and/or purchasing textiles from the domestic market. Local manufacturing facilities carry out the following stages in the production process: cutting, assembly, laundry and sand blasting, pressing, packaging. In addition, some facilities also do embroidery, labelling, finishing (*deshebrado*) and inspection.

While the vast majority of apparel products manufactured in Tehuacan are for US companies and destined for the US market, some Canadian companies have also sourced from Tehuacan, including Genetic Jeans and the Winnipeg-based women's wear manufacturer Nygard International, and while the majority of their Mexican-made products are also exported to the US, some are sold in Canada.³⁸

Official figures of both the Tehuacan municipal government and the national garment industry association indicate that there are about 300 garment factories

³⁷ Jose Mendez Gomez, President of the Tehuacan chapter of the National Garment Industry Association, cited in Humberto Perez Cote, *El Mundo de Tehuacan*, 2 October, 2001; Maria Antonia Wong Morales, subdelegate to the Mexican Social Security Institute in Tehuacan, cited in Adelina Vera Guerra, *El Mundo de Tehuacan*, 27 January, 2002.

³⁸ Information on brand-name products made in Tehuacan is from interviews with workers and company representatives, and from direct observation of labels in some factories and home-based facilities.

in Tehuacan,³⁹ but, according to the Commission, these figures greatly underestimate the actual number of manufacturing facilities since they only take into account those registered with the Secretaría de Hacienda or affiliated with the business associations.

The Commission estimates that in the Tehuacan district there are currently about 700 garment manufacturing facilities, including large factories owned by the major local consortiums, such as Grupo Navarra, whose network of facilities employs up to 30,000 workers, to the smaller clandestine sewing workshops that employ 15-20 people. This figure does not include home-based facilities and is a rough approximation. It is virtually impossible to determine the exact number of garment facilities at any given time due to the precarious nature of the underground sector of the industry in which companies often close down in one neighbourhood and reopen under a new name in another, and others operate illegally in peoples' homes.⁴⁰

● Impact of US Downturn

In 2001, according to official figures, garment factories laid off approximately 20,000 workers in the Tehuacan region. In October 2000, official figures indicate that there were 35,000 garment workers in the region. At the end of 2001, this figure dropped to 15,000 as a result of the partial or total closure of 150 plants out of the official total of 300.⁴¹

The Commission estimates that the actual job loss in the Tehuacan garment industry as a result of the downturn in the US economy and the September 11 attack on the World Trade Centre was 25,000 jobs, a reduction in the workforce from 70,000 in October 2000 to 45,000 in May 2002.

At the beginning of 2001, 135,000 people in the Tehuacan region were registered with the government social security program (IMSS), 75,200 of whom were workers. Of those workers, 13,000 were dropped from the program as a result of layoffs in the garment sector.⁴² It is worth noting that the industry association, the National Garment Industry Association (Canacives) calculates that 20,000 workers were laid off in the same period, indicating that 7,000 of those workers were not registered with the IMSS, and were therefore probably working in the underground sector of the industry.

³⁹ Portafolios Informativo de Tehuacán: Tehuacán en Cifras, 1999-2002 (Tehuacán: Ayuntamiento Municipal de Tehuacán, 2002); and Jesús Ramírez Cueva, op cit.

⁴⁰ Asunción Mendez, "Denuncian a 100 maquiladoras clandestinas, trabajan sin permiso y no dan prestaciones a trabajadores," *El Mundo de Tehuacan*, 21 January, 2001. Includes information from the Department of Inspection and Verification of Regulations of the Municipal Government.

⁴¹ José Méndez Gómez, president of the National Garment Industry Association in Tehuacán, cited in Humberto Pérez Cote, "Paralizada la industria del vestido," *El Mundo de Tehuacán*, 2 October, 2001.

⁴² María Antonia Wong Morales, subdelegate to the Mexican Social Security Institute (IMSS) in Tehuacan, cited in Adelina Vera Guerra, op cit.

Many of the factories that remained open moved to a “3X4” work week, in which employees work for three days each week followed by four days off, cutting back production by up to 50%. In order to survive the crisis, a number of companies reduced workers’ wages and eliminated production bonuses and various other benefits.⁴⁴

The US economic downturn not only had an impact on garment workers and manufacturers, it also negatively impacted other sectors providing inputs or services to the industry and its workers, such as food vendors, store owners and employees, and people who rent living quarters to migrant workers.

● Who’s Who in the Tehuacan Garment Industry⁴⁵

The Tehuacan garment industry can be divided into three types of manufacturers: the large consortiums, the medium-sized companies, and small and clandestine companies.

1. Large Consortiums

Export manufacturing in Tehuacan is dominated by a few large consortiums owned by two Mexican families that are part of the local elite, and a prominent Los Angeles-based apparel manufacturing family. These large consortiums, including Grupo Navarra, AZT International, Tarrant Apparel Group (TAG-MEX), and Mazara, have direct relationships with US retailers and brand merchandisers to whom they offer half package to full package services.



Grupo Navarra is principally Mexican-owned – the Fernandez family is the majority shareholder – though US investors reportedly also own shares in the company. Grupo Navarra has seven assembly plants and two laundries located in Tehuacan. Its factories produce up to 150,000 jeans a week for Sun Apparel,

⁴⁴ Between July and December of 2001, local media, including *El Mundo de Tehuacan* and *El Sol de Tehuacan* published numerous articles quoting employers, workers and municipal government representatives concerning these developments.

⁴⁵ This information was obtained from interviews with workers and management representatives, as well as through direct observation.

Guess, Wrangler, Gap, Levi Strauss, Polo Ralph Lauren, Tommy Hilfiger and Sara Lee, among others.

Its seven assembly plants – Private Label de Tehuacan; Multiconfecciones Cantabria; Industrias Ferrarvi; Cortes, Diseños y Maquilas (Codima); Vaqueros Navarra; Maquilas Eslava; and Top Jean – do cutting, sorting pieces by size, and assembly. The laundries – Cualquier Lavado and Lavapant de Tehuacan – do laundering, sand blasting, pressing, inspection, labelling, sizing, final inspection, and packaging.

Mazara is another Tehuacan-based consortium owned by a sub-clan of the Fernandez family, the owner of Grupo Navarra. The company owns three factories in the Tehuacan region – Confecciones Mazara, Confecciones Rotterdam, and Industrias Cerraquin. Confecciones Mazara was formerly part of the Grupo Navarra consortium. Mazara produces for Gap, VF Corporation, and Guess, as well as other brands. At present, Mazara, does not own laundry facilities, but offers laundry services by using facilities owned by other companies.

The Tarrant Apparel Group (TAG-MEX) is a Los Angeles-based consortium that owns eight assembly and laundry facilities in the Tehuacan area and one textile mill in Puebla. It was also involved in the construction, and will soon be the owner, of a twill mill, garment processing facility, and distribution centre in Tlaxcala. Tarrant's founder and former CEO is Gerard Guez, who is currently the Chairman of the Board and a major shareholder in the company.⁴⁶ Another major shareholder and former president of TAG-MEX is Kamel Nacif, known in Mexico as “the King of Jeans.”⁴⁷ TAG-MEX produces for Gap, Tommy Hilfiger, Express (The Limited), and other specialty retailers, discount retail chains, and brand merchandisers.

AZT International is a related but separate Los Angeles-based consortium also associated with the Guez family and Nacif.⁴⁸ The company produces textiles in their mill in Parras, Coahuila, does assembly in Tehuacan, does laundering, labelling, finishing, and packaging in Panzacola in the neighbouring state of Tlaxcala. The company's assembly plants are the most high tech in the region, with automated sewing processes, such as for sewing back pockets on jeans. It also subcontracts some work to medium-sized companies. AZT International produces for Calvin Klein, Express, Gap, and Tommy Hilfiger, as well as other brands.

⁴⁶ In October 2001, Eddy Tak Yu Yuen was appointed CEO of the Tarrant Apparel Group, replacing Gerard Guez who had served as CEO and Chairman of the Board since the company's founding. Yuen had been named president of Tarrant México in August of 2000, replacing Kamel Nacif.

⁴⁷ When Tarrant purchased the Puebla denim mill from Nacif in March 1999 for 2,000,000 shares of Tarrant common stock and \$22 million in cash, it also announced the appointment of Nacif as president of Tarrant México,

⁴⁸ The parent company, Azteca Production International, is 50% owned by Paul Guez, and the company's CEO is Hubert Guez. Both are brothers of Gerard Guez. Paul was the founder of Sasson Jeans, the original designer jeans. Gerard was the head of Sasson's Los Angeles office until he left in 1998 to found the Tarrant Apparel Group.

Factory locations and steps in the production process*

GRUPO NAVARRA	LOCATION	1	2	3	4	5	6	7
Private Label	Tehuacán							
Multiconfecciones Cantabria	Tehuacán							
Industrias Ferrarvi	Tehuacán							
Cortes, Diseños y Maquilas (Codima)	Tehuacán							
Vaqueros Navarra	Tehuacán							
Eslava	Tehuacán							
Top Jean	Tehuacán							
Cualquier Lavado	Tehuacán							
Lavapant	Tehuacán							

MAZARA								
Confecciones Mazara	Tehuacán							
Confecciones Rotterdam	Tehuacán							
Industrias Cerraquin	Tehuacán							

TARRANT APPAREL GROUP (TAG-MEX)								
1	Tehuacán							
2	Tehuacán							
3	Tehuacán							
4	Tehuacán							
5	Tehuacán							
6	Tehuacán							
7	Sierra Negra							
8	Ajalpan							
9	Etla, Oaxaca							
10	Puebla							
11	Tlaxcala, Tlax.							
12	Acapulco, Guerrero							

AZT INTERNATIONAL								
AZT International	Tehuacán							
AZT International	Parras, Coahuilla.							
AZT International	Panzacola, Tlaxcala							

* 1- Textile; 2- Design and Product Development; 3- Cutting; 4- Assembly; 5- Laundering; 6- Distribution; 7- Marketing.

2. Medium-sized Companies

In the second layer of Tehuacan's apparel manufacturing hierarchy we find the medium-sized companies. These companies are generally owned by local capital, and are usually independent factories that are not part of consortiums. They produce both for US and domestic brands and retailers, and sometimes do subcontract work for the large consortiums. Employment of under-aged workers is more common in these factories than in those owned by the large consortiums.

Some of the medium-sized companies, such as Confexpo and Majilosa, currently collaborate to provide half package services, and are planning in the future to be able to provide these services independently.

Some of these firms also subcontract parts of production, such as attaching buttons, buttonhole sewing, finishing (thread removal), to clandestine workshops and home-based facilities.

Partial list of medium-size companies.⁴⁹

Big Daddy / Bordados y Ponchados Computarizados / Calidad en Confecciones / Confección de Exportación (Confexpo) / Confecciones Barlee / Confecciones de Tehuacán / Confecciones Eslava / Confecciones Finas Mafrot / Confecciones Finas para la Exportación / Confecciones Imperial de Tehuacán / Confecciones Trumo / Confecciones Usua Innes / Confecciones Valleta / Confecciones y Lavados del Sureste / Ecardy / Exportadora de Pantalones / Exportadora Fran / Exportadora Gil Martínez / Expoteh / Grupo Annuar / Industrias Carvajal Cobo / Industrias Casablanca / Industrias Jams / Industrias Summa / Lavaexport / Majilosa / Manufacturas Spring / Modelos Yashiro / Sand Blast de Tehuacán / Terminados en Sand Blast / Uniformes Industriales Muro.

3. Small and Clandestine Companies

At the lowest wrung in Tehuacan's garment industry hierarchy are the small and clandestine companies. The sewing workshops and home-based facilities owned by these companies are dispersed throughout the city and the surrounding region, and are often illegal, underground operations. Some change their location constantly to avoid detection.

Many of these companies manufacture products for the domestic market, including shirts, pants and jeans. Some also do subcontract work for the medium-sized companies. One of the main goals of small companies is to obtain orders to assemble products for export. Labour intensive tasks, such as attaching buttons, sewing buttonholes and thread removal are often done in peoples' homes.

The use of underaged workers, as young as 10 or 11 years old is common in these small assembly factories and home-based sewing workshops, particularly in those located in the shanty towns surrounding the city or in the small indigenous communities of the region, such as Chilac and Ajalpan.

⁴⁹ This list was compiled as a result of the Commission's direct observation as well as through a review of the directories of the Comparmex and Canacindra in Tehuacán, two industry associations.

Partial list of small companies:⁵⁰

American Finish / Confecciones Berc / Confecciones Cruceiro / Confecciones Denver / Confecciones El Choco / Confecciones Jordán / Confecciones Odigua / Confecciones Santa Catarina / Corporación Canut / Cotton Gent / Diseños La Paz / Diseños y Confecciones América / El Viejo Oeste / Gi´Aroli / Innovadora Jack Fred / La California / Manufactura San Francisco Altepexi / Manufacturas Leo / Maquila de Ojal / Maquiladora Estrella / Maquilas Ajalpan / La Puntada / Maquilas Estefanía / Maquilas Ibarra Martínez / Maquilas Jamay / Maquilas León Sosa / Maquilas Montana / Maquilas Trujillo / Confecciones San Sebastián / Maquilas y Confecciones Asfec / Masdo / Máxima Calidad / Multiconfecciones Santa Ana La Real / Río Sul / Ropa Bien Hecha / Three Star / Confecciones Cactáceas / Confecciones Dalexmar / Chat. In addition to the small companies listed above, there are numerous clandestine, home-based sewing workshops.

● Production Processes⁵¹

The dominant form of production in Tehuacan’s garment industry continues to be the traditional assembly line system, in which workers perform the same repetitive tasks throughout the workday.

In the assembly line system, individual workers are expected to meet daily production quotas in order to receive their regular remuneration. Quotas vary from 500 to 1,200 pieces a day, depending on the factory, the type of product and work being performed. However, there are some qualified machine operators called “*comodines*” who have been trained to do various tasks and are able to operate a number of machines and earn higher wages.

While the assembly line is still the dominant form of production in the region, some medium-sized factories are moving to the modular system. Confexpo and Majilosa were the first factories in the area to introduce modular production. In this system, workers are organized in teams that carry out a variety of tasks to complete a number of steps in the production process. Tasks are rotated so that workers learn a variety of skills.

Rather than demanding that individual workers complete daily production quotas, companies encourage teams of workers to compete for production bonuses based on their achievement of a percentage of the production target. Work discipline is, therefore, primarily a function of work team rather than supervisors, and, at least among production workers, there is no wage differentiation on the basis of skills, experience or tasks.

Because workers learn multiple skills and participate in decision-making, the modular system is often promoted by industry and government spokespeople and academic researchers as being empowering for workers. For instance, the modular system is being promoted by the Fox government in its proposal for reforms to the Federal Labour Law, which sets as an objective the “multi-

⁵⁰ This list was compiled primarily on the basis of direct observation, as well as from information provided by the workers as few of these enterprises appear in industry association directories.

⁵¹ Information on the different production models in the Tehuacan area is from interviews with factory workers and industry associations, as well as MSN’s conversations with Huberto Juarez of the University of Puebla.

skilling” of workers.⁵² However, studies of modular production in the garment industry have also identified a number of problems for workers, including long workdays, work intensification and health problems associated with it, pressure from team members to meet production targets and achieve bonuses, and severe penalties for lateness, absence and mistakes.⁵³



● Homework⁵⁴

A third form of production that is common in Tehuacan and surrounding communities is home-based assembly. This usually involves labour-intensive, detailed and repetitive work, such as removing threads from apparel, sewing buttonholes, and/or attaching buttons. The work is done on a subcontract basis for small and medium-sized manufacturers, such as La Paz, Maquilas Trujillo, El Choco, Casablanca, and Majilosa, in order to lower the cost of production.

While the vast majority of homeworkers are women, other family members, including young children, often participate in production. Women homeworkers also often hire other women to work in their homes. Pay is strictly by the piece, the work is intensive for long hours at a time, and workers usually do not receive the legal minimum wage.

The “employer” receives on average 50 centavos per piece, and workers she employs might make between 25 and 30 centavos, or eight pesos per bundle. In an eight-hour period, one person might be able to complete 300 pieces, and would receive about 32 pesos. Workers in home-based workshops do not receive social security (health care) or other statutory benefits.

Homework is most common in colonias on the outskirts of Tehuacan and in shantytowns, such as Mexico, Las Palmas, Benito Juarez, Granjas de Oriente, La Paz and Juquilita. Home-based apparel sewing workshops are also found in the surrounding towns of Ajalpan, Altepexi and Zinacatepec.

Although homework is covered in the Federal Labour Law, the legal requirements are generally not respected. The National Commission for

⁵² Francisco X. Salazar Sáenz, Sub-Secretary of the Labour and Social Services Secretariat (STPS), cited in Fabiola Martínez, “Presentarian en éste mismo año el proyecto de reforma laboral,” *La Jornada*, 9 May, 2002.

⁵³ Huberto Juarez, Catalina Guzman and Maria de los Angeles Rodriguez, “Employment and Production in the Globalized Greenfields: Garment Maquilas in Puebla,” (Puebla: University of Puebla, May 2001). English translation on file.

⁵⁴ Information in this section was obtained from interviews with employees of small factories who divide up pieces to be distributed to the *colonias*, as well as with families that work in their homes attaching buttons, sewing button holes or picking thread from clothes.

Minimum Salaries has established the minimum wage for homeworkers at 50 pesos and 85 centavos for an eight-hour day. Since payment is strictly by the piece, homeworkers' right to the minimum wage is being systematically violated. Employers are also required by law to register their use of homeworkers, and provide employment contracts describing conditions of employment. Neither of these requirements is being enforced. Nor are homeworkers receiving overtime or statutory holiday pay.

- Full package Production – The Tarrant Example

The Tarrant Apparel Group is a good example of a US company that has taken advantage of NAFTA to first expand its use of independent contractors in Mexico, and then to implement a step-by-step strategy to bring its Mexican production in-house in order to become a vertically integrated manufacturer offering full package services to US specialty retailers, discount retail chains and brand merchandisers.

In 1997, Tarrant expanded its use of contractors in the Tehuacan area for cutting, sewing and finishing of basic garments. In 1999, it began to acquire a number of these contract facilities and to work with their former owner, Kamel Nacif, to construct additional facilities for its emerging full package network.⁵⁵

In April 1999, Tarrant Chairman and CEO Gerard Guez announced that his company had completed the purchase of a denim mill in Puebla with an annual capacity of 18 million meters.⁵⁶ The former owner of the mill, Kamel Nacif, became the president of Tarrant Mexico and a major shareholder in that company.⁵⁷ In August 1999, Tarrant purchased Grupo Famian, also formerly owned by Nacif, adding seven garment assembly and laundry facilities to its Mexican holdings.⁵⁸

In an August 23, 1999 article in *Forbes Magazine*, Gerard Guez predicted that vertical integration would allow Tarrant to cut production costs sufficiently to double revenue in three to five years. In the article, Guez claimed that his full package network would allow him to fill orders in less than 45 days, as opposed to the usual 60-90 days, and to dye and deliver warehoused jeans in two weeks, as opposed to the usual six weeks it takes to manufacture jeans from scratch. According to Guez, warehousing jeans before they are dyed speeds up turn around time, allowing retailers to determine what kinds of jeans are selling well before placing orders, while the company's electronic data exchange system

⁵⁵ Tarrant Apparel Group, US SEC Quarterly Report, Securities and Exchange Commission, May 15, 2002.

⁵⁶ Tarrant Apparel Group, "Tarrant Apparel Group Completes Purchase of Denim Mill," www.tags.com/news/19990405.html (April 5, 1999).

⁵⁷ Tarrant Apparel Group, "Tarrant Group Announces Purchase of Denim Mill," www.tags.com/news/19990309.html (March 9, 1999).

⁵⁸ Tarrant Apparel Group, "Tarrant Apparel Group Acquires Grupo Famian: Transaction Represents Another Step Toward Vertical Integration," www.tags.com/news/19990811-2.html (August 11, 1999).

allows them to program software to notify his factories immediately when additional jeans need to be shipped to specific stores.⁵⁹

In October 1999, Tarrant announced plans to close its sewing and finishing plant in Greenwood, Mississippi. According to a company media release, the decision to shut down the plant was “consistent with Tarrant’s vertical integration and cost reduction strategies,” and product would be “absorbed by Tarrant’s recently acquired sewing and finishing facilities in Mexico.”⁶⁰ In March 2001, Tarrant announced it had reached agreement to purchase a 100,000 square foot sewing plant in Ajalpan, also from Nacif.⁶¹

In 1998, Tarrant had commissioned another company owned by Nacif, Tex Transas Textile, to oversee the construction of a 1,500,000 square foot twill mill, garment-processing facility, and distribution centre.⁶² However, in October 2000, it revised its agreement with Nacif, extending its option to purchase the turnkey facility until September 2002.⁶³

In July 2001, Tarrant entered into a joint venture with Azteca Production International (AZT International), a company owned by Paul and Hubert Guez, brothers of Gerard Guez, to coordinate production of Tommy Hilfiger apparel. United Apparel Ventures is 50.1 percent owned by Tarrant, Mexico and 49.9 percent owned by Azteca.⁶⁴ Kamel Nacif is also reportedly closely involved in AZT International.

By November 2001, Tarrant had invested approximately US\$175 million in capital expenditures on developing its Mexican full package network.⁶⁵ In September 2002, Tarrant announced it had reached agreement on the terms for the twill mill, completing the final phase of its vertical integration plan.⁶⁶

With the above acquisitions, Tarrant Mexico is able to provide specialty retailers, discount retail chains and brand merchandisers the following services from a network of facilities located within the Tehuacan/Puebla region:

- Textile and twill production
- Cutting
- Assembly
- Laundry and sand blasting
- Finishing, labelling and packaging
- Distribution

⁵⁹ Hildy Medina, “Mutating Jeans,” *Forbes Magazine* (August 23, 1999).

⁶⁰ Tarrant Apparel Group, “Tarrant Apparel to Close Production Facility in Mississippi,” www.tags.com/news/19991008.html (October 8, 1999).

⁶¹ “Tarrant Apparel Group Announces Purchase of Denim Mill,” www.tags.com/news/19990309.html (March 30, 1999).

⁶² “In the Clothing Business, Timing Is Everything,” *Investor’s Business Daily* (September 25, 1998).

⁶³ “Mexico: Tarrant Apparel Revises Option On Twill Facility,” *Just Style* (October 17, 2000).

⁶⁴ *Ibid.*, p. 2.

⁶⁵ Tarrant Apparel Group, US SEC Form 10-Q, Quarterly Report, Securities and Exchange Commission, November 14, 2001, p. 9.

⁶⁶ Tarrant Apparel Group, “Vertical Integration Completed,” www.tags.com/news/20020912.html (September 12, 2002).

While the Tarrant example would appear to indicate that the move to full package production is resulting in some technological transfer and an increase in the use of local inputs, it is also worth noting that a substantial portion of Tarrant's investment in Mexico has gone into the acquisition of factories formerly owned by one Mexican manufacturer, Kamel Nacif, whose facilities had previously acted as exclusive contractors for Tarrant.

It is also worth noting that the few US and Mexican consortiums with sufficient capital to invest in the development of full package networks are owned by three families. As in Torreon, the move to full package production seems to be maintaining, if not increasing, the concentration of power over the industry in the hands of a few foreign investors and members of the local elite.

Nor have the large consortiums in Tehuacan been immune to the economic recession. In its May 15, 2002 *Quarterly Report to the Securities and Exchange Commission*, Tarrant acknowledges that the US economic downturn and the events of September 11 forced the company to cut operating costs in Mexico and elsewhere, including reducing its Mexican workforce by approximately 20 percent.⁶⁷

In other sections of the case study, we will look at working conditions and environmental practices in factories and laundries owned by these consortiums, as well as other factories in the Tehuacan region.



⁶⁷ Tarrant Apparel Group, US SEC, Quarterly Report, Securities and Exchange Commission, May 15, 2002, p. 13.

Garment Workers in Tehuacan

● Profile of the Tehuacan Maquila Workforce

Eighty percent of the workers in maquilas garment factories in the Tehuacan region are young indigenous people who have migrated from small rural communities in surrounding mountainous regions, including the Sierra Negra, Sierra Mazateca, Sierra de Zongolica, Sierra del Nudo Mixteco, Cañada Oaxaqueña, Volcán Ciltaltepetl, Pico de Orizaba, Tecamachalco, and Huajuapán, as well as other regions in the states of Puebla, Veracruz and Oaxaca.⁶⁸

Workers who come from the city have generally completed secondary school, while those from rural villages have often not completed primary school.⁶⁹

The current gender make up of the workforce is about 50 percent male and female in the assembly plants.⁷⁰ The majority of the workers are between the ages of 19 and 30.⁷¹ In the laundries, all the production workers are male.⁷² Some assembly facilities employ workers as young as 11 years old.⁷³

Social consequences of the migration of rural indigenous youth into the urban maquila workforce include a high percentage of single mothers, violence in the home, and a high incidence of sexually transmitted diseases, including AIDS.⁷⁴

The majority of workers have 5 to 15 years experience working in the maquilas. However, with the exception of the current US economic downturn, worker turnover has been a major problem for maquila owners. According to workers interviewed, moving from factory to factory is one of the only strategies available to them to negotiate improvements in their incomes during the years they are gaining experience and skills. They attribute the high turnover rate to the low wages in the region and the resistance of employers to raising salaries.

⁶⁸ José Méndez Gómez, president of the Tehuacan delegation of the National Garment Industry Association, cited in Jesús Ramírez Cueva, op cit.

⁶⁹ Based on interviews with workers.

⁷⁰ This reflects national trends in the garment industry where in 1999, 48% of garment workers in border regions and 54% of garment workers in non-border regions were women.

⁷¹ Based on interviews with workers.

⁷² Based on official statistics on the Economically Active Population in Tehuacan contained in the Municipal Economic Census, Municipality of Tehuacan 1999-2002.

⁷³ Information on child labour is based on interviews with parents, relatives and co-workers of minors employed in the maquilas.

⁷⁴ *Programa emergente de salud para empresas maquilas*, State Centre for Municipal Development, (Centro Estatal de Desarrollo Municipal, 1999). An interesting finding in this study is that maquila employers have resisted participation in governmental campaigns on reproductive health, claiming that they would cut into production time.

Some workers report having worked in more than 10 factories, from large modern factories of the Grupo Navarra to underground sewing workshops.

According to workers interviewed, employers in Ajalpan have developed, and are circulating, a blacklist with names of workers who were fired or have voluntarily quit their jobs. The list is reportedly used to weed out job applicants who commonly move from factory to factory, and to discourage this practice among other workers.

● Living Conditions of Maquila Workers⁷⁵

The majority of maquila workers in the Tehuacan region live in poverty, and in many cases in extreme poverty. Indigenous workers who have migrated to Tehuacan to work in the maquilas live in *colonias* (neighbourhoods) and *asentamientos* (squatter communities) on the periphery of the city that often lack services such as potable water, electricity, sanitation facilities, etc. The houses of recent migrant workers are constructed of materials at hand – wood, metal sheeting, plastic, and cardboard. These houses usually have dirt floors and one or two rooms in which the workers and their families sleep and cook. An open-air pit serves as the bathroom.

Inhabitants of some of these *asentamientos* have formed community organizations, and after pressuring the municipal government for a number of years have succeeded in obtaining land rights and the right to basic services, such as electricity, and potable water. These *colonias* include 21 de Marzo, Mazatecos, Maravillas, Lazaro Cardenas, among others.

In some of the newer *asentamientos*, such as La Resurreccion and 18 de Marzo, indigenous migrant workers from the region live together with immigrants from Central America who are temporarily living and working in Tehuacan, but intend to eventually migrate to the United States.

In Tehuacan and Ajalapan, new housing developments are being built on land that until recently was being used for agricultural production. However, according to the Commission, the housing is of poor quality. Credit for the purchase of the housing is available to garment workers, based on their accumulated hours of work. If workers stop working for a period, they move to the bottom of the list and start accumulating hours over again. These housing developments are being built on former *ejido* land (communal agricultural land), and are therefore displacing traditional agriculture. Workers gain access to loans for subsidized housing through the National Housing Fund Institute (INFONAVIT).

⁷⁵ Information on living conditions of maquila workers is based on direct observation and interviews with workers in their *colonias* carried out by the Human and Labour Rights Commission of the Tehuacan Valley.

The San Jose Centre

The San Jose Centre in Tehuacan is a joint initiative of two garment manufacturers, Majilosa and Confexpo, to provide young indigenous workers dormitory housing, as well as literacy training, secondary school classes, and some questionable work-related training. More importantly, the Centre acts as a recruiting agent for new workers to be employed in the two factories.

To operate the Centre, which is located in the former hotel Montecarlo, the company sponsors created a non-governmental organization (NGO) called *Setilistli*, (“unity” in náhuatl) and registered it as a civil association. According to the Commission, the Centre is closely linked to the PRI-controlled National Campesino Confederation. While recruiting indigenous youth from rural communities in the mountains to work in the maquilas, *Setilistli* also reportedly channels state funding to the same communities for agricultural development projects.

According to the Commission, parents are persuaded to allow their children go to Tehuacan to work in the maquilas by promises of housing, meals, and literacy and employment training offered by the Centre. The Centre reportedly receives public funding, through its NGO, from federal institutions such as the National Adult Education Institute (INEA) and the National Indigenous Institute (INI).

When the youth arrive at the Centre, they are assigned rooms, offered food, and put to work at the Majilosa and Confexpo factories. According to the Commission, the costs of meals and housing are deducted from their salaries. The first three months of work, these young workers only receive 100 pesos a week, as this was regarded as their work training period. Residents are not permitted to leave the Centre in the evenings or on weekends unless accompanied by another person and with the permission of the administration.

The training program consists of literacy and secondary school classes provided by INEA personnel, as well as cable television programs. Apparently, the new workers do not receive job skills training, but rather lessons in “personal improvement” and “work excellence.” The primary focus of the training appears to be promoting self-discipline and the work ethic, rather than providing young workers occupational skills necessary to advance in the industry or knowledge of their legal rights as workers.

In July 2001, the Centre temporarily suspended its operations due to the impact of the economic downturn on employment in Tehuacan. It resumed operations in October of that year, then closed again in April of 2002. It is expected to reopen when the US economy revives and there is an increase in maquila production, and a need to recruit a new wave of young workers.⁷⁶

● Wages and Other Compensation

In Mexico, various minimum wages are established at the national level for different geographic regions of the country and for different job categories. The Tehuacan area is part of Geographic Area C, which has the lowest minimum wage.⁷⁷

⁷⁶ Interviews with the administrative personnel of the Centro San José and members of the Asociación Civil “Setilistli.” Review of the registration of the Association in the Public Registry of Property of the judicial district of Tehuacán.

⁷⁷ The minimum wage for Area C, which includes most non-border states, and some municipalities in some border states and in the state of Mexico, is M\$38.50. For Area B, which includes municipalities in some border states, the minimum wage is M\$40.10, and for Area A, which includes municipalities in some border states and the state of Mexico and Mexico City, it is M\$42.15.

The minimum wage for a sewer in a garment factory in Tehuacan is M\$49.50 pesos a day [Cdn\$7.66 or US\$4.84] or M\$346.50 pesos [Cdn\$53.65 or US\$33.89] per week. For a homemaker, the minimum is M\$50.85 pesos a day, or M\$355 pesos a week. Currently, most garment assembly workers in the Tehuacan region make between M\$350-M\$750 pesos [Cdn\$54.19 - \$116.13 or US\$34.23 - \$73.35] a week. However, a few more skilled workers, such as the *encuartadores* who sew the inseam of jeans, make up to M\$1,000 pesos [Cdn\$154.84 or US\$97.80] a week, and some workers in the laundries can make as much \$1,200 pesos [Cdn\$185.81 or US\$117.36] a week.

This represents a significant decline in wages since the period prior to the US economic downturn and September 11. In 2000, wages for assembly workers were between M\$700 and M\$1,500 pesos [Cdn\$108.39 - \$232.26 or US\$68.46 – \$146.70] a week. It appears that maquila owners used the economic downturn,



with the resulting employment insecurity due to layoffs and plant closures, as an opportunity to reduce labour costs.

Although the Mexican Federal Labour Law in Article 90, Chapter 60, establishes that the minimum wage must be sufficient to satisfy the basic needs of a worker and his/her dependents, clearly the current minimum wage is not sufficient to comply with this

constitutional guarantee. According to a recent UNAM study, the purchasing power of the minimum wage decreased by 10.7% in a two-year period, and the current minimum wage only covers 20% of the costs of a basic needs bread basket.⁷⁸

The National Minimum Wage Commission (CNSM) recognizes that the minimum wage “isn’t just, ethical or equitable, and is less than the constitutional requirement.”⁷⁹ However, it continues to set minimum wages at these inadequate levels, claiming, “Containing wages is essential for economic stability.”

The most common complaint of workers interviewed for this case study was that wages were too low and didn’t meet their basic needs. Based on an interview with the spouse of a maquila worker, the Commission calculates that the weekly cost of basic necessities for a married worker with three children in Tehuacan is

⁷⁸ F. Martinez, “El Salario minimo ha perdido 10.7% de su poder adquisitivo en dos anos,” *La Jornada*, 1 September, 2002.

⁷⁹ F. Martinez, “La contencion salarial, palanca del equilibrio economico: CNSM,” *La Jornada*, October 2002.

currently M\$971.50 pesos [Cdn\$150.42 and US\$95.01] a week. This figure does not include expenses for their children to attend school, nor the costs of shoes or clothing. In this particular case, the worker makes M\$700 pesos a week. In order to meet the family's basic needs, his spouse sells food outside the house.

● Working Conditions

In addition to low wages that don't meet their basic needs, the most common complaints of workers interviewed were the following:

- Compulsory and often unpaid overtime to complete production quotas;
- Verbal abuse and humiliation of workers by supervisors;
- Racial discrimination against indigenous workers, including racial insults by supervisors;
- Discrimination against pregnant women, including pregnancy testing;
- Sexual harassment and abuse;
- Body searches when workers enter and leave the factories;
- Fines and pay deductions for mistakes and for arriving late for work;
- Exposure to toxic chemicals in laundries;
- Failure of a number of factories to register workers with the government social security program (IMSS);
- Lack of freedom of association or independent unions;
- Protection contracts rather than collective agreements;
- Abuse of employment contracts to deny workers seniority rights; and
- Child labour.

Hours of Work

There are places where they have to work from 8:00 in the morning until 8:00 at night, and the workers aren't paid for the extra hours. We have all been required to work these kind of heavy, stressful work shifts.

Worker at Industrias Suma

Workers interviewed for this study report that they are often forced to work extra hours without any compensation in order to complete their daily quota. It is common for workers to work 10-12 hours a day without legally required overtime pay. This practice appears to be one of the most common violations of the Federal Labour Law. Workers also report that when they do meet production quotas in the time allotted, they often find that the quota is then increased, with no increase in pay.

While the practice of requiring workers to work overnight (*veladas*), in addition to their regular shift, during heavy production periods has been less

common during the US economic downturn, it continues to occur in some factories.

Child Labour

A number of workers interviewed commented on the problem of child labour and exploitation of underage workers. A worker at Confecciones Trujillo stated the following:

There are a lot of minors of 9, 10, 11 years of age working in the maquilas when they should be in school. This happens because unfortunately their parents aren't paid enough money to provide the basic necessities for their children. I have two nephews, one 13 and the other 15 years old; the second one is working at Confecciones La Paz, and many times he leaves work at 8:00 at night.

A worker at Diseños La Paz confirmed that child labour is used by that company, stating that in her factory there are many underage workers. She described the problem in the following words:

The kids are able to do the work, but they aren't paid the same wages as adults who do the same work. Some minors are paid 150-200 pesos a week, nothing more. There are children from 9 to 14 years old working in the factory. Some are manual labourers, but some work on the machines. When Social Security arrives, the supervisors hide them....

A minor working at the same factory described his situation:

I'm 14 years old and I work in a maquila. There are other children working in the factory, some 15, some my age. They put me to work attaching rivets on the sides of the jeans. I have to make my quota. They pay me 400 pesos, but one month ago they told me they're going to give me a raise. They said they were going to give me 500 pesos, but they haven't given me anything. Adults that complete the same production as I do are paid 600 pesos, but because I'm a kid, they don't pay me the same.

Of the money I'm paid, I give 300 pesos to my family, and I keep 100. I don't like working in the maquila, but I have to do it because I have younger brothers. My father doesn't make enough money to provide for them, and I have to help pay the household expenses. After work I don't do anything because I'm tired and I just want to go to bed. I eat dinner and go to bed. In the morning, I have to go to work. On Sundays, I stay at home and wash my clothes. When I have time, I play soccer with my friends. Later, once again I have to go to work. I would like to go to school like most children do.

Discrimination

Tehuacan's apparel manufacturing workforce is divided equally on gender lines. However, rather than indicating a lack of discrimination, this increase in male participation in the garment sector appears to in part reflect the increasing number of workers employed in jean laundries, where only male production workers are hired, as well as the growing number of men who are compelled to seek sewing jobs out of economic necessity. At the same time, subcontract sewing workshops and home-based facilities employ only women, girls and some

underage males. Compulsory pregnancy testing is another form of gender-based discrimination that continues in some of Tehuacan's maquilas.

In addition to discrimination on the basis of gender, discriminatory treatment of indigenous workers appears to be a common problem in Tehuacan garment factories. Workers at Vaqueros Navarra claimed that Peruvian and Costa Rican supervisors at their factory were known for this kind of abuse.

An indigenous woman worker at Confecciones Imperial describes the verbal abuse and racial insults indigenous workers are often subjected to by employers and supervisors:

I've seen a lot of examples of verbal abuse and insults of workers by bosses and supervisors. They say things like: "you're a donkey," "get moving stupid," "get to work you lazy Indians."

Harassment and Abuse

In addition to verbal abuse, sexual harassment was also identified as a problem by some of the workers interviewed.

A former employee of Exportadora Famian, owned by Grupo Tarrant, described her experience with sexual harassment:

Three weeks after I started working at Exportadora Famian, the line supervisor began to harass me. He would say that if I would go with him to a hotel, he would give me an exit pass and I wouldn't have to complete my daily production quota. Because I wouldn't accept his offer, one day he told me to leave at 9:00 at night. The next day, I was called in to the boss's office, but instead of sanctioning the supervisor, they told me that I was fired, with no explanation why. A lot of women have to endure these pressures, because they need to work to feed their children. For a woman, it's really difficult to work with these kinds of abuses.

Health and Safety

Workers interviewed report that accidents are common in assembly factories, particularly needle punctures of fingers. They attribute the prevalence of accidents and injuries to the pace of production, long hours of work, and pressure to complete production quotas. An administrative worker at Confecciones Jamay claims there are two or three accidents a day in the factory which has only about 100 workers, and charges that there are no doctors or nurses in this plant trained to deal with these injuries.

A recent tragic accident at the jean laundry Cualquier Lavado, owned by Grupo Navarra, which resulted in the deaths of two workers has made the danger of exposure to toxic chemicals used in the laundering process a public issue in Tehuacan. On November 27, Martin Bernardino Hernandez and Raul Sanchez Vazquez died, and Daniel Leon Gonzalez and Arelio Valencia were injured while doing maintenance work on a cistern in which residual water from the laundering process was recycled. The cause of death was exposure, without the necessary protective equipment, to gases from chemicals such as chlorine, sodium

hydroxide, sodium hydro-chlorine, urea, phosphoric acid, among others. The company was fined M\$250,000 for violation of the Ley de Protección Civil (civil protection law).⁸⁰

Although we are not aware of specific studies that have been carried out concerning the current or potential health problems faced by laundry employees in the Tehuacan region, interviews with laundry workers carried out months before the accident at Caulquier Lavado indicate that while they may not be fully aware of potential health problems, laundry workers are very concerned about the possible negative impact of exposure to chemicals on their health.

A worker at the laundry of Exportadora Famian, owned by Grupo Tarrant, who was more aware of the chemicals being used than most of his fellow workers, explained his concerns:

Every day, we're exposed to toxic substances – fumes from caustic soda and chlorine, contact with enzymes, detergents, peroxide, oxalic acid, sodium bisulphate. Every day, we breathe and are in physical contact with these substances, because the company no longer gives out face masks because they say we're exposed to gases, not to large particles. I have a sewer's face mask and some plastic gloves, and when they break, the company's not going to want to replace them.

All of my workmates have respiratory problems and sore throats. But the most extreme case I've seen was a guy whose nasal passages were injured by the bi-sulphuric gases, and they bled for two weeks. They treated it as an illness, and not as a work accident.

I've been sick for five months. I have a fungus on my hands from contact with enzymes they use in the laundering process. I went to see the company doctor, and he told me I had a skin fungus and that I should go to the social security clinic. Even though I have social security, I've had to pay, and I've lost a lot of work time recovering.

Social Security

The failure of employers to register worker with the social security (IMSS) government health care program is also a common problem. A worker at Majilosa explains how her employer's failure to register her with IMSS is causing her to lose her maternity leave benefits:

I'm in my ninth month of pregnancy, but I'm continuing to work even though it's uncomfortable and difficult for me to meet my quota. I continue to work because this month the company gave me social security. They didn't want to register me, but I kept insisting and pressuring the boss. But now that I have social security, they're not going to pay me during maternity leave, which is for 40 days before and 40 days after the birth, because I wasn't able to catch up with the required contributions after being registered so recently. Neither IMSS nor the employer is taking responsibility for my rights. I need the money because having a baby is expensive, and if the baby is ill, it's going to be very difficult.

⁸⁰ R. Teran Soto, "Mueren intoxicados 2 obreros," *El Mundo de Tehuacan*, November 2002; Y. Blanco Osorio, "Sancionarian con 250 mil pesos a Cualquier Lavado," *El Mundo de Tehuacan*, 28 November, 2002.

Some Improvements

According to the Commission, over the past three years there have been some improvements in working conditions in some of the larger factories, owned by the major consortiums, particularly those that produce for well-know US brands. These improvements include:

- Improved health and safety practices in some plants owned by Grupo Navarra, Grupo Tarrant and AZT International ;
- Increased use of personnel protective equipment, such as masks, goggles, hard hats, gloves, and work boots;
- Improved fire prevention equipment;
- Increased work space in the factories;
- Better ventilation and lighting and a reduction in noise levels;
- Health and safety training and training on codes of conduct, though mostly for supervisors rather than workers;
- Elimination of child labour in factories owned by the big consortiums;
- Elimination of compulsory pregnancy testing at Vaqueros Navarra, which was known for this practice in the past;
- Installation of daycare centres in some factories, such as Grupo Navarra, though with insufficient space to meet the demand; and
- Provision of breakfast and payment of half the transportation costs for workers travelling long distances to work, though these benefits were eliminated during the economic downturn.

These improvements in quantifiable standards such as health and safety practices, and the elimination of some of the most visible abuses (those most disturbing to North American consumers), such as forced pregnancy testing and child labour, could be at least partially attributed to the increased vigilance of US brand-name buyers and their factory monitoring programs.

Some changes in health and safety practices could also be attributed to the requirements of more modern machinery, such as improved ventilation and space between machines.⁸¹ It is worth noting that other less consumer-sensitive issues such as poverty wages, unreasonable production quotas or targets, forced and unpaid overtime, and violations of freedom of association continue in the large factories, as they do in smaller facilities.

As well, according to the Commission, improvements that are taking place seem to be isolated to those factories producing for brands that are particularly sensitive to allegations of sweatshop practices. These improvements are therefore not necessarily directly attributable to the phenomenon of full package

⁸¹ MSN interview with Homero Fuentes, Director, Commission for the Verification of Codes of Conduct (COVERCO), concerning improvements in health and safety practices and production in full package facilities in Central America, July 2002, San Pedro Sula, Honduras.

production. In addition to the relatively small number of brand-sensitive companies that use full package services, as well as maquila assembly factories in Tehuacan, there are a larger number of retailers, discount retail chains, manufacturers and brand merchandisers that are less vulnerable to anti-sweatshop campaigns and less rigorous in monitoring factory conditions.

Interviews with workers employed in some of the factories producing for major brands where improvements have taken place would also indicate that most workers continue to be unaware of codes of conduct or how they might use them to promote improvements in working conditions and labour practices.

It could also be argued that the presence of new actors in the maquilas – retailers and brand merchandisers – and the development of full package networks to meet their ever-changing fashion demands also creates new problems, such as work intensification and exposure to, as well as discharge of, a variety of toxic substances used in the laundering of designer jeans. We look at the environmental consequences of jean laundering processes in the next chapter.



- Freedom of Association and the Right to Bargain Collectively

One key reason that garment workers in Tehuacan and other garment centres in Mexico have been unable to negotiate significant improvements in wages and working conditions, even in periods of economic growth and full employment, is the absence of independent, democratic unions or free collective bargaining.

In the Tehuacan region, the dominant labour federation is the FROC-CROC, an “official” union linked to Mexico’s historical ruling party, the PRI, and to the current Puebla state government. The CROC (Revolutionary Confederation of Workers and Campesinos) is known for its negotiation of “protection contracts”⁸² with employers without the knowledge or participation of workers, and often before any workers have been hired. In exchange for this protection, unelected leaders of the official unions receive automatic dues deductions from their “members” pay cheques.⁸³

A worker interviewed for this study who works at Grupo Navarra’s Lavapant laundry described his experience with the CROC:

When I started working at Lavapant, I was given an employment contract that had a lot of pages with very small lettering that was almost illegible. I started to read it closely and especially a section that referred to a union, which said that the moment I signed the contract, I would automatically become a member of the FROC-CROC. Because I was taking time to read the document, the management person started pressuring me, saying, “If you want to work here, you better sign immediately because there’s a line up of people outside who want jobs.” I needed the job, so I signed the contract. Six months later, I still haven’t met my supposed union representative, and I’m beginning to wonder if this person really exists.

A second worker employed by Exportadora Famian, owned by the Tarrant Group, explains why workers are reluctant to report worker rights violations to representatives of the CROC:

When you have problems and you bring them to the union, the leaders and representatives always side with the boss, never with the worker. Who does a union serve when they tell you to bring your problems to the boss? Now they are saying there isn’t any work, there isn’t any money, the boss hasn’t received any orders. Just the same, you need money for medicine, and they tell you, no, they can’t help you. But, they keep deducting union dues from your salary.

At the time of this writing, the only independent union with a signed collective agreement in the maquilas in the state of Puebla was SITEMEX in the Mex Mode, formerly Kuk Dong, factory in Atlixco. This unique situation was the product of a long and difficult struggle linked with an international campaign targeting a major buyer, Nike.⁸⁴ (See box on page 42.)

The only other historical example of an independent union in Puebla’s garment industry was the SUTIC (Garment Industry Workers Union), which represented sewers in Puebla, Tecamachalco and Tehuacan in the 1980s. In 1989, the leader of the union, Gumaro Amaro, was assassinated, reportedly by

⁸² These employer/union agreements are called “protection contracts” because they usually mirror, and sometimes undercut, legal requirements, and provide protection to employers against the threat of authentic worker organizing and collective bargaining.

⁸³ For a brief description of protection contracts, see: “NAFTA and Labor Conditions in Mexico,” Mexican Action Network on Free Trade (RMALC), www.developmentgap.org/rmalclab.html

⁸⁴ For more information on the Kuk Dong struggle visit the Maquila Solidarity Network website: www.maquilasolidarity.org.

gunmen hired by the state governor of the time, Mariano Piña Olaya. The SUTIC did not survive the ensuing government repression.⁸⁵

Currently, the unions that do exist in Tehuacan's garment export industry, most of which are affiliated with the FROC-CROC, though some are also with the CROM or the CTM, can be found in many of the larger factories and some of the medium-sized plants. Since many of these factories are part of full package or half package networks, and therefore represent a significant financial investment, workers could potentially negotiate improvements in wages and working conditions with less threat of factory closures and/or a cutback in orders from North American buyers. However, the very existence of the official unions in these factories, and their institutional ties with the state government and the Conciliation and Arbitration Boards (CAB) that review and grant union registrations, prevent authentic worker organizing and collective bargaining from taking place.



This does not, however, mean that workers do not engage in job actions when they feel their rights are violated. Over the past five years, there have been a number of wildcat strikes and other spontaneous job actions in garment factories in the Tehuacan area. Most of these actions were in response to the failure of the employer to pay legally required wages or overtime pay, unjust dismissals, and/or the failure to provide legally required severance pay at the time of dismissal. In each instance, state repression, firings of workers who engage in job actions, questionable rulings by the CAB, and/or the lack of support for or active opposition to these actions by the official unions have prevented these spontaneous worker protests from achieving permanent improvements in working conditions and/or the development of democratic forms

⁸⁵ Jose Javier Reyes, "Gumaro Amaro: 8 anos de silencio," *Sintesis* (February 17, 1997).

of worker representation. (See Appendix A for a partial list of job actions since 1997.)

According to the Commission, in many of these job actions, workers only became aware of the existence of official unions and protection contacts at the moment when they took or threatened to take action. In many cases, leaders of the official unions have collaborated with management to discourage or actively prevent workers from engaging in protest actions.

As a result of the US economic downturn and the resulting plant closures and layoffs in the Tehuacan garment industry, in 2001 there was a significant increase in reports of labour rights violations, as well as changes in the types of violations reported, and the manner in which workers responded to them.

While there were no applications to conduct legal strikes in 2001, as compared to 17 in 2000, there was an increase in individual claims to the Local Conciliation Board from 183 in 2000 to 313 in 2001, an increase in monetary claims to the Labour Tribunal in Puebla from 157 in 2000 to 591 in 2001, and an increase in cases brought before the courts from 1,502 in 2000 to 1,636 in 2001.⁸⁶

The vast majority of the claims before the Local Conciliation Board in Tehuacan and the Labour Tribunal in Puebla were for unjust dismissal and/or for failure to pay the legally required severance pay. It's worth noting that of the 591 claims brought before the Labour Tribunal, only 53 resulted in the payment of a financial penalty by the employer.⁸⁷ It is also worth noting that the Local Conciliation Board in Tehuacan does not currently have the authority to require remedial action, such as reinstatement or payment of full severance, but only to conciliate between employers and workers. However, the state CAB has promised to increase the authority of the Tehuacan Board in the coming year to allow it to arbitrate labour disputes as well as conciliate.⁸⁸

These violations have not been restricted to small firms facing threats to their economic survival. In a case before the local Conciliation Board in October 2001, workers charged their employer, Cualquier Lavado, owned by Grupo Navarra, with unjust dismissals, forced labour (compulsory unpaid overtime), failure to pay severance, and physical and verbal abuse by the employer and his armed guards.⁸⁹

While the lack of independent unions, collective agreements or effective state institutions to adjudicate worker right violations have been major obstacles to workers' efforts to improve their wages and working conditions in periods of economic growth and high employment rates, these same factors have resulted in further victimization of workers during periods of economic downturn.

⁸⁶ Junta Local de Conciliación de Tehuacán, Informe estadístico (January 2002).

⁸⁷ Ibid.

⁸⁸ This commitment was made by Armando Toxqui Quintero, head of the Puebla Conciliation and Arbitration Board, during the international seminar "Codes of Conduct, Monitoring and Worker Organizing," sponsored by the Maquila Solidarity Network, February 6-8, 2002, in the City of Puebla.

⁸⁹ *El Sol de Tehuacan*, 4 October, 2001.

How Kuk Dong Workers Won an Independent Union⁹⁰

On January 9, 2001, hundreds of workers at the Kuk Dong factory in Atlixco, Puebla staged a work stoppage to protest the illegal firing of five workers and the forced resignations of 20 others who had complained about low wages and rotten food served in the factory cafeteria, and had requested a copy of the collective agreement.

Kuk Dong produced sweatshirts for Nike and Reebok, including Nike sweatshirts bearing the names and insignias of 14 US universities, many of which have ethical purchasing policies for licensed apparel.

The striking workers demanded that the company reinstate the fired workers and respect their right to form an independent union. The workers were then represented by the FROC-CROC. Workers complained that the FROC-CROC was brought in by the company without the workers' consent, and that it had negotiated a protection contract with their employer at a time when only a handful of workers had been hired.

On January 12, state police in full riot gear attacked 300 workers who were guarding the factory. Faced with protests locally and increasing pressure on Nike from student, labour and solidarity groups in the US, Canada and Europe, Kuk Dong management agreed to allow strikers to return to their jobs with no reprisals. However, management violated the agreement by refusing entry to the factory to several independent union supporters.

On January 25, a six-member investigative team from the Worker Rights Consortium (WRC), a university code implementation body, released a report documenting violations of university codes, and calling on member universities to seek the reinstatement of the fired leaders and participants in the job action. Two subsequent investigations, the first by Mexican labour lawyer Arturo Alcalde, and the second, a factory audit by the US non-profit monitoring organization Verité, at Nike's request, confirmed that the workers' right to freedom of association was being violated.

On June 20, the workers' initial request for legal registration of an independent union was rejected by the Local Conciliation and Arbitration Board. However, in response to continuing pressure from university students and administrations and anti-sweatshop groups around the world, Nike suspended orders to the factory. Kuk Dong management responded by agreeing to accept the independent union and negotiate a new collective agreement.

On September 21, the collective agreement was signed by the company, which changed its name to Mex Mode, and the independent union, SITEMEX. That same day the contract was filed with the Puebla Conciliation and Arbitration Board, and the union was granted its legal registration. Of the 450 workers then employed at the factory, 399 had signed the application for the independent union.

On April 1, 2002, in response to letters from 6,000 people in 17 countries, Nike announced its decision to resume placing orders with the Mex Mode factory.

SITEMEX is currently the only independent union with a signed collective agreement in Mexico's maquiladoras. While the Mexican authorities did eventually recognize the independent union at Kuk Dong, now Mex Mode, the victory had more to do with the organizing and corporate campaign strategies employed, and the effective use of university and company codes of conduct to defend freedom of association, than with any positive actions by the Mexican federal or state governments.

⁹⁰ For more information on the Kuk Dong / Mex Mode struggle, visit: www.maquilasolidarity.org.

Maquilas and Their Impact on the Environment

5

Jean laundries were first introduced to Tehuacan in about 1985. Since that year, the number and size of the laundries has increased dramatically. There are currently 25 laundries in the Tehuacan region, and that number could increase in the future as more companies move to develop full package networks.⁹¹

OSSAPAT, the municipal body responsible for providing potable water, admits there are currently 140 *colonias* in Tehuacan lacking potable water service.⁹² Most of these neighbourhoods are inhabited by maquila workers and their families and are located in the periphery of the city.

In March of 2000, OSSAPAT released alarming information about the use and availability of water in the city, reporting that the water table has been dropping by 1-1.5 metres a year, at the same time as the population has increased by 10,000-13,000 a year.⁹³

In the past, when OSSAPAT dug new wells, they reached water at about 15 metres, but today, they reportedly have to dig 200 metres. OSSAPAT estimates that with only 19 wells and two springs, the city uses 464 litres of water a second, or 1,686 cubic metres an hour.

OSSAPAT has never published official figures on the quantity of water used by industry in Tehuacan. In response to the problem of water scarcity, they have promoted campaigns to encourage responsible citizens to conserve water in their domestic activities, such as bathing, watering gardens, washing cars, but have never mentioned the manufacturing sector's role in contributing to the scarcity of water. While there is currently no precise information available from government or industry sources on how much water is being used by the 25 laundries operating in the Tehuacan region, interviews with laundry workers indicate that the daily use of water by jean laundries is considerable.

Permission for jean laundries to drill new wells or make use of existing wells to access water for the laundering process must be granted by the National Water Commission (CNA). However, the CNA appears to be granting permits without consideration of the possible long-term impact on water aquifers or on other sectors of society that depend on water for their economic and cultural survival.

⁹¹ This is an approximate number, since there are also a number of companies that operate clandestine laundries, as well as laundries that usually wash peoples' clothing, but occasionally do subcontract work for jean laundries.

⁹² Manuel Dominguez, current director of OSSAPAT, in a radio interview, April 13, 2002. OSSAPAT stands for Organismo Operador de Servicios de Agua Potable y Alcantarillado.

⁹³ Manuel Beristain, former director of OSSAPAT, *El Angel de Tehuacan*, 24 March, 2002.

The CNA also appears to be ignoring evidence of the use of clandestine wells from which the industry reportedly extracts water without official permission.

According to a laundry worker interviewed, who works at Grupo Navarra's Lavapant laundry, the company receives warnings when CNA inspectors are going to visit the factory, allowing it to hide the pumps used to extract the water from clandestine wells until the inspectors leave.

Further research is needed to determine the volume of water being used by jean laundries, as well as the precise number of clandestine wells companies are using to extract water.

Meanwhile, water societies of campesino groups in the region are being denied permission to drill wells for agricultural use. They have also suffered the consequences of the Mexican government's policy of privatizing water, which allows the transfer of titles to water concessions to third parties.⁹⁴ As a result, water concessions, originally intended for communal lands (*ejidos*) of indigenous campesinos, have ended up in the hands of private firms, such as the Tarrant Apparel Group, which obtained a water concession from the Nucleo Ejidal de Pantzingo in Ajalpan.⁹⁵

It is also worth noting that many of the installations of former mineral water and soda bottling companies, such as Etiqueta Azul or Balseca, have been purchased or are currently being rented by the Tarrant Apparel Group. The fact that these installations were constructed above natural springs makes them particularly attractive for companies needing abundant access to water for the laundering of jeans.⁹⁶

Although the Federal Procuraduria for the Protection of the Environment (PROFEPA) has publicly admitted that jean laundries are the most polluting companies in Tehuacan, worse than local pig farms or other industries,⁹⁷ very little is being done to control or impede the contamination of the environment caused by these companies. In fact, PROFEPA had earlier certified that the laundries operating in Tehuacan were "clean factories," pointing to the fact that they have submitted themselves to voluntary environmental audits.⁹⁸

Despite the certifications of laundries by environmental auditors, the contamination created by these factories is impossible to hide. The unnaturally blue water of the Valsequillo Canal tells a different story of the impact of the jean laundries on this increasingly scarce resource and on the people that depend upon it for their livelihoods.⁹⁹

⁹⁴ Ley Federal de Derechos en Materia de Agua.

⁹⁵ Testimonies from interviews with ejido farmers from the nucleo agrario of Rantzingo, Ajalpan.

⁹⁶ Tarrant Apparel Group uses the facilities of the former bottling company, Auguas de Tehuacan, which was known for the soda "Etiqueta Azul," as well as those of another former bottling company that once produced the soda "Balseca."

⁹⁷ Statement attributed to Carlos Ruiz, environmental inspector, PROFEPA, in article by N. Lopez Jimenez, *El Mundo de Tehuacan*, 1 February, 2001.

⁹⁸ Juan Ambrocio Jimenez, *El Mundo de Tehuacan*, 15 April, 1999.

⁹⁹ The research team has documented, with photographs (on file) the dumping of residual waste from a number of the laundries along the canal. Also see Juan Ambrocio Jimenez, "Decargan 50 empresas aguas residuales al dren," *El Mundo de Tehuacan*, 14 October, 2002.

The Valsequillo Canal, which flows from Puebla to Tehuacan, was originally built for irrigation purposes. Today the canal is also used by farms and laundries to discharge their residual waste, including the dyes and chemicals used to make designer jeans. The discharge from the laundries first enters the canal in Cuayucatepec where it passes the Private Label and Caulquier Lavado plants. In San Lorenzo Teotipilco, additional waste water flows into the canal from the AZT International and Lavapant laundries. The chemical rich blue water then flows slowly through the city until it reaches the end of the canal at San Diego Chalma, where it is used to irrigate agricultural land.

The residual discharge from other laundries that are not located on this route often goes into public drains, which are also connected to the Valesquillo Canal. In Ajalpan and Santiago Miahuatlan, contaminated water is also evident in the rivers and gullies, water that is later used to irrigate crops.

The contaminated water comes from the industrial processes involved in laundering jeans. One of the most common processes is “stone washing,” in which pumice stones are used to wear away the jean fabric to make it look older or second hand. Various enzymes are used beforehand to soften and weaken the fabric. Another process, sometimes called “stone bleaching,” involves stripping the indigo dye from the jeans with enormous amounts of chlorine or, more recently, with the enzyme laccase. In a process known as “sand blasting,” jeans are subjected to a silica bath in order to give the jeans a worn appearance. In addition to these different kinds of washing, the latest fashion in denim requires that



jeans be subjected to yet another dyeing process in the final stages. Tinting and “overdyeing” are done, often by manually applying various dyes to patches of the jean that have been previously stripped. The jeans are then sent for a final washing, in which large quantities of detergents are used.

As a result of these processes, all of which are dictated by changing fashion demands, the water that is discharged from the laundries contains residues of fabric dust, silica and pumice, and chemicals, such as caustic soda, chlorine, sodium bisulphate, oxalic acid, peroxide, acetic acid, potassium permanganate, and hexmetaphosphate. All of these toxic chemicals pass through the Valesquillo Canal and end up in water used to irrigate corn and other vegetables grown in San Diego Chalma and Ajalpan.¹⁰⁰ Recent studies have confirmed that the residual water discharged into the canal contain heavy metals, such as zinc, lead,

¹⁰⁰ Information on chemicals used is based on interviews with workers in the laundries. The use of water from the Valesquillo Canal to irrigate crops was documented through direct observation by the project researchers.

copper, nickel, chrome, mercury, cadmium, and selenium.¹⁰¹ It is most likely that these contaminants come from the jean laundries, since the primary discharge from pork and chicken farms is biological waste.

According to environmental expert Ismael Hernandez, regular consumption of agricultural products from fields irrigated by water containing high concentrations of these heavy metals could result in serious health problems, including neurological disorders and anemia, among others.¹⁰²

Some of the larger companies, such as Grupo Navarra, have introduced purification systems in their laundries. According to its website, as of the first quarter of 2000, Grupo Navarra is recycling water used in its plants “thanks to the acquisition of state of the art technology...”¹⁰³ However, according to the two workers interviewed at Caulquier Lavado and Lavapant, the “*tratadoras*” or water treatment facilities are seldom operating, though they always are when inspectors arrive to inspect the plants.

It is also worth noting that until 1995, laundries, including Culquier Lavado, Lavapant, Diseños Had’s, Conlav, and Industrias Jams, had received permission from the Municipality of Tehuacan to discharge industrial residue from the laundering process into the Municipal Sanitary Landfill, which is inside an area known as the Tehuacan-Cuicatlan Ecological Reserve, a protected cactus forest.¹⁰⁴

It is also worth noting that the first recommendation of the National Human Rights Commission (CNDH) in the region was to the municipal government of Tehuacan, concerning health problems caused by residual waste from laundries. In 1992, residents of the Nicolas Bravo and Guadalupe Hidalgo colonias made a complaint to the CNDH concerning three maquiladoras at that time owned by the Haddad family and currently the property of the Tarrant Apparel Group – Industrial Exportadora Famian, Acabados, and Terminados en Maquila – that were discharging residual waste from their laundries into the public drain. As a result, residents of the area were getting sick from chemicals in the water as it evaporated. Although the CNDH recommended that the municipal government clean up the problem, to this day, it hasn’t taken any action.¹⁰⁵

A recent World Bank report estimates that the cost of environmental deterioration associated with the Mexican government’s strategy for economic growth is \$63 billion a year, equivalent to 10 percent of the country’s gross domestic product.¹⁰⁶ The report states that 100 of Mexico’s 257 aquifers are being

¹⁰¹ Study by the University of La Habana, el Instituto Tecnológico de Tehuacan and the Universidad Tecnológica de Izucar de Matamoros, as reported in Apolonia Amoya, *El Sol de Tehuacan*, 25 April, 2002.

¹⁰² Presentation by Ismael Hernandez, Environmental Secretary of the Executive Committee of the Mexican Party of the Democratic Revolution (PRD) during a panel entitled *Maquilas y Pueblos Indígenas*, during the forum *Mitos y Realidades de las Maquilas en Tiempos del Plan Puebla-Panama*, June 15 and 16, 2002 in Tehuacan.

¹⁰³ Grupo Navarra, www.gruponavarra.com.mx/historiae.htm.

¹⁰⁴ Apolonia Amayo, “Permiso a 5 maquiladoras para depositar desechos en el relleno publico,” *El Sol de Tehuacan*, 15 February, 1995.

¹⁰⁵ Report of the Comision Nacional de Derechos Humanos, 101-92-CNDH.

¹⁰⁶ R. Armador Gonzalez, “El deterioro ambiental cuesta a Mexico 63 mil mdd anuales: BM,” *La Jornada*, 3 November, 2002.

superexploited, which the Bank calls “a direct impediment to industrial activity and foreign investment.” While the report appears to indicate that the World Bank’s priorities are a healthy climate for business, rather than sustainable development for poor countries like Mexico, it also establishes that as the aquifers in regions such as Tehuacan are depleted, the companies and maquilas will move to other locations leaving behind serious problems of unemployment and environmental destruction.

Codes of Conduct

6

The arrival of codes of conduct is a relatively recent phenomenon in garment factories in the Tehuacan area. Requirements that manufacturers meet minimum standards of codes of conduct as part of agreements with their buyers – brand merchandisers and retailers – first appeared around 1999.

Even the largest manufacturers, such as Grupo Tarrant, do not generally have their own codes of conduct or third party verification programs. However, they are subject to a number of buyer-designed codes of conduct with differing standards, some requiring little more than compliance with local laws and others going beyond legal requirements. Manufacturers are also subject to multiple monitoring visits by buyer personnel, and sometimes by external auditing firms.¹⁰⁷

To date, codes of conduct have generally applied to the larger consortiums offering full or half package services directly to major brand merchandisers and retailers. However, as medium-sized manufacturers develop direct relations with brand merchandisers and retailers, they too are becoming subject to multiple codes and monitoring programs.

With the arrival of brand merchandisers and retailers, Tehuacan has also become the subject of investigations by US- and Canadian-based labour rights organizations and reporters concerning possible sweatshop abuses linked to major US brands.

In 1998, one of the first US reports on labour rights violations in Tehuacan's maquilas, titled "Cross Border Blues: A Call for Justice for Maquiladora Workers," was released by the Chicago-based Interfaith Committee for Worker Justice. The report focuses on factories owned by Grupo Navarra producing for Guess. Other reports followed, including one by the MSN entitled "A Needle in a Haystack," and articles in the *Los Angeles Times*, the *Philadelphia Inquirer* and Vancouver's *Georgia Straight*, as well as Mexican publications, including *La Jornada* and *El Financiero*.

Immediately after the release of *Cross Border Blues*, members of the Marciano family, owners of Guess, reportedly arrived in Tehuacan in order to discuss the impact of the report with their Tehuacan suppliers.

It is difficult to determine to what degree codes of conduct and monitoring programs and/or anti-sweatshop campaigns and media exposés in North American have encouraged improvements in working conditions and labour

¹⁰⁷ Tarrant Apparel Group, TAGS Quarterly Report (SEC form 10-Q), p. 4. Notes that "certain of the Company's [TAG-MEX] customers, including The Limited, Inc., require strict compliance by their apparel manufacturers, including the Company, with applicable labor laws and inspect the Company's facilities often."

practices in Tehuacan maquiladoras. Most likely, any improvements that have occurred have been result of a dynamic relationship between campaigns, codes and monitoring, and local efforts to raise national and international awareness of the situation.

As we have seen earlier, some improvements have taken place in the larger factories owned by local and US consortiums. These have been primarily in the areas of health and safety, and the elimination of child labour and compulsory pregnancy testing. However, as we have also seen, there have not been similar improvements in wages, hours of work, discrimination, or respect for freedom of association. As well, we see the emergence of new health and safety and environmental problems associated with the introduction of laundering practices and hazardous substances that are associated with the ever-changing fashion demands of US brand merchandisers.

Workers interviewed for this study were generally not familiar with codes of conduct, their content, purpose, or how workers might use them to defend their rights. Of the 10 workers interviewed from Vaqueros Navarra, only one worker had heard of codes of conduct, and in his case from the supervisor of his production line.

The training on codes of conduct that does take place locally is generally only for supervisors and other management staff with code compliance staff of US brand merchandisers and retailers, such as the Gap.

Grupo Navarra reportedly holds capacity-building workshops for all its employees, but the content of the workshops focuses on personal motivation and similar themes promoting increased company loyalty and productivity. Only those staff directly responsible for compliance with the Federal Labour Law and codes of conduct receive training on those topics.

Plan Puebla-Panama

Plan Puebla-Panama (PPP), one of the major economic development projects of the Vicente Fox government, is an attempt to promote foreign investment in maquila garment factories and agro-industry in southern Mexico and Central America. If successful, PPP will extend the Tehuacan development model to Mexico's poor southern states. The project will include the construction of roads, highways, ports, and other infrastructure to facilitate maquiladora and agro-industrial production and rapid transportation of finished products to the US market.¹⁰⁸

Through PPP and the "Marcha al Sur" project, the Fox government is promoting the establishment of garment maquilas in Oaxaca, Guerrero, Yucatan, Campeche and Chiapas. The maquila model that has been in operation in Tehuacan for a number of years, especially since the signing of NAFTA, offers the government and the transnational companies a concrete experience to draw upon as they invest in and construct new factories and infrastructure farther south.

Examples of maquila production spreading south from the Tehuacan region are already evident. From its base in Tehuacan, the Tarrant Apparel Group has extended its production to the Etna Industrial Park in Oaxaca, and to Tlaxcala and Guerrero. Grupo Navarra has installed production facilities in the Tepexi del Rio Industrial Park in Hidalgo, and in Oaxaca.

The Tehuacan maquila model is not only serving as an example for the establishment of maquilas in southeastern Mexico, workers from the Tehuacan region are also being contracted by companies and local governments in other states to train new garment workers. For example, Empresa Campesinas and the government of Oaxaca have contracted employees of Grupo Navarra in the Etna Industrial Park in order to train new workers in the Ismas of Tehuantepec. As well, employees of Grupo Tarrant have been sent to Acapulco to train new garment workers in that city. Another example is the transnational Kellwood Company in the municipality of Calkini Campeche, which is using workers who migrated from the Tehuacan area to train new workers in their factory.

Unfortunately, in their rush to develop the south, it is unlikely that the Mexican government or foreign investors will examine and learn from the negative experiences of the Tehuacan maquila development model, including the destruction of indigenous culture and traditional agricultural communities, overuse and contamination of water by jean laundries and other negative environmental impacts, use and exploitation of child labourers, violations of workers' rights, the increased concentration of wealth and power in the hands of a few elite local families and foreign investors, and the spread of unregulated subcontract facilities.

It will be up to other sectors of Mexican society to examine the Tehuacan experience from a more critical perspective in order to critique the Plan Puebla-Panama initiative and develop alternative proposals.

¹⁰⁸ Mexican Action Network on Free Trade and Citizen's Movement for Democracy, "El Plan Puebla-Panama: proyecto globalizador neoliberal" (2002).

Conclusions and Recommendations

7

Trade liberalization policies and the implementation of NAFTA have resulted in the dramatic growth and restructuring of the garment industry in the Tehuacan region. The entry of new players – US brand merchandisers and retailers – into the local garment industry as a result of NAFTA has encouraged the development of full package networks providing a variety of services.

While the move toward full package production is increasing the amount and types of Mexican inputs in the production process, as well as the elements of the supply chain located in the Tehuacan area, it is also increasing the concentration of power and wealth in the hands of a few members of the local elite, in alliance or competition with a few wealthy California-based families.

Parallel to, and sometimes interacting with, the full package networks, maquila assembly and subcontract and home-based facilities continue to thrive in the Tehuacan region. As in Torreon, some production is also moving to rural areas surrounding Tehuacan.

The growth and restructuring of the garment industry in Tehuacan has created needed jobs for young indigenous workers, but it has also caused negative social, cultural, economic and environmental consequences for indigenous communities in the Tehuacan region. Changes in land ownership and agricultural policies, also as a result of trade liberalization policies and NAFTA, have coincided with the growth of the garment export industry, encouraged the migration of indigenous youth to wage labour in the garment export industry, and contributed to the deterioration of indigenous agricultural communities.

The US economic downturn has had serious negative impacts on workers and communities in the Tehuacan region. The downturn, and resulting layoffs and plant closures in the region, appears to have been used by employers as an opportunity to cutback on labour costs and weaken worker rights. These events have called into question the viability of an export-led economic development strategy that is almost entirely dependent on the health of the US economy and the continuous growth of the US consumer market.

Common worker rights abuses reported by workers interviewed for this case study include:

- wages that don't meet basic needs;
- excessively high production quotas;

- compulsory and often unpaid overtime;
- discrimination on the basis of gender and race (indigenous workers);
- compulsory pregnancy testing and discrimination against pregnant workers;
- verbal abuse and sexual harassment;
- child labour;
- failure to register workers with social security (IMSS);
- accidents and health problems as a result of the intensity of production and exposure to toxic chemicals; and
- lack of freedom of association and the prevalence of “protection contracts.”

Involvement of major apparel brand merchandisers and retailers in the Tehuacan garment industry is creating new leverage points to challenge the most flagrant worker rights violations, and there appear to have been some improvements in working conditions and labour practices, at least partially as a result of code monitoring programs and increased public awareness of these issues in Mexico, the US and Canada. However, those limited improvements appear to be taking place only in larger facilities owned by a few US and Mexican consortiums that are producing for high-profile brands.

Manufacturers not producing for major brands and/or producing for retailers less susceptible to brand campaigns, appear not to be under the same pressure to improve working conditions and labour practices. As well, areas of improvement in the larger factories tend to be on “hot button” issues that are of most concern to North American consumers, such as child labour and forced pregnancy testing, and on quantifiable problems easily identified through factory monitoring, including some health and safety practices. Other persistent, but less dramatic problems, such as low wages, high production quotas, long hours of work and compulsory and often unpaid overtime, gender and race discrimination, and denial of freedom of association, have not received the same level of attention.

At the same time, new workplace problems and community issues have emerged as a result of the entry of brands and retailers into the Tehuacan garment industry, and the move to full package and modular production, including work intensification and health and safety problems associated with it, and health and environmental problems associated with chemicals used in laundry processes. Significantly, the use of many toxic chemicals and other harmful substances in laundries appears to be more a consequence of changing fashions promoted by US brand merchandisers than the actual requirements of jean manufacturing.

- Recommendations

1 Joint strategies among local and national Mexican groups and their allies in the US and Canada are needed to pressure and engage with US retailers and brand merchandisers to address worker rights violations that have not been adequately addressed to date. Issues that need to be put on the retailers' and brands' agenda include sexual harassment and abuse, unpaid overtime, discrimination against indigenous workers, poverty wages, health problems associated with exposure to toxic chemicals, and firings or discrimination against supporters of independent unions.

2 Training is also needed for local groups on brand campaigns, codes of conduct and monitoring, in order to better equip them to use these tools to pressure for improved working conditions and respect for worker rights. One possible method might be to use the example of the successful Kuk Dong/Mex Mode struggle to initiate discussion on how brand campaigns, codes and monitoring can be used to increase space for worker organizing.

3 The environmental and health consequences related to the use and disposal of toxic chemicals should be given much more prominence by local and national Mexican labour rights groups, as well as the anti-sweatshop movement in the North. There is a great deal of potential to raise consumer awareness, particularly among young consumers, and to mobilize support in Canada, the US and Mexico for campaigns against "toxic jeans" and in favour of improved health and safety and environmental practices. Such campaigns could focus on major US brands, as well as the Mexican government. More research is needed on the impacts of chemicals and other substances being used in the laundries on workers, communities and the environment. Joint research projects involving local groups and Mexican and/or Northern health and safety experts is one option.

4 Since the use of child labour seems to be concentrated in smaller factories and subcontract and home-based facilities, which are less likely to produce for major US brands, the focus of any campaigning on child labour should be on the Mexican government, demanding enforcement of existing legislation. Since employers often respond to accusations of child labour by immediately dismissing underage workers, without taking any responsibility for what happens to them after they are dismissed, any campaign against child labour should avoid naming individual factories, and include demands for support from government and/or employers to cover education and other costs associated with their transition out of the workplace and into the school system.

5 Since Tehuacan is the model for Plan Puebla Panama, indigenous, human rights, and labour groups in Mexico, Central America and the North would be wise to study the impact of these transformations on workers, indigenous communities and the environment in the Tehuacan region. Information from this study, as well as any follow-up research on labour, health and environmental issues related to garment production in Tehuacan, should be popularized and made available to groups involved in campaigns related to the Plan Puebla Panama.

Appendix A

Labour conflicts in the Tehuacan area

The following is a partial list of labour conflicts in garment factories in the Tehuacan area between November 1997 and January 2002.

- On November 27, 1997, 16 workers at the maquiladora GMG were granted their severance pay by the Local Conciliation and Arbitration Board after testifying that they had suffered verbal abuse and received death threats from the factory owner and his security guards for demanding that they be paid earlier.¹⁰⁹
- On July 18, 2000, 70 workers from the maquiladora Corporación Canut staged a protest at Tehuacan City Hall, demanding that their employer pay them three weeks salary owing, including pay for compulsory overtime on weekends. The workers charged that over a three-week period, they had been forced to work 12 hours a day, but had not received any pay. They also denounced their employer for failing to register them with social security (IMSS) and for employing underage workers. They had sought the assistance of the Local Conciliation and Arbitration Board, but discovered that they were on holiday.¹¹⁰
- On July 30, 2000, 70 employees of the maquila Confecciones Finas para la Exportación staged a three-day *plantón* (occupation) outside the factory, demanding payment of their complete weekly salaries. They charged their employer with failing to pay their complete salaries for a one-month period. This practice had also occurred in 1999 during Holy Week and the December holiday when workers were only paid half a week salary. Workers were reportedly forced to work more than 50 hours a week without receiving overtime pay. The workers failed to win their reinstatement or their full severance pay.¹¹¹
- On January 31, 2001, 15 of 18 employees of the maquila Odigua received their severance pay after protesting outside the factory, charging the

¹⁰⁹ Marcela Velázquez Casas, *El Sol de Tehuacán*, 28 November, 1997.

¹¹⁰ Asunción Méndez, *El Mundo de Tehuacán*, 19 July, 2000.

¹¹¹ Néstor Jiménez López, *El Mundo de Tehuacán*, 5 December, 2000.

employer with failing to pay 2-3 weeks salary. The majority of these workers were child labourers, such as 13-year-old Ignacio Aristas, who had worked for a week without receiving his salary.¹¹²

- On June 28, 2001, 50 employees of the maquila Confecciones Jordan were unjustly fired for demanding their benefits and rights. They appealed to the Local Conciliation and Arbitration Board for full severance pay, payment owing for overtime worked and legally required profit sharing. They also denounced the employer's failure to register them with social security or INFONAVIT (National Housing Fund Institute), despite making deductions from their pay, as well as verbal abuses by the owner of the factory, and the employment of minors who were only paid 170 pesos a week.¹¹³
- On July 30, 2001, 60 employees of Exportadora Tehuacan staged a *plantón* outside the maquila, charging the employer with failure to pay legally required overtime premiums and two weeks of salary. Some workers only received 50% of their salaries and were required to work Saturdays and Sundays without pay.¹¹⁴
- On October 29, 2001, 70 employees of Majilosa who had 10-25 years of seniority staged a *plantón* outside the factory demanding that the employer pay one week salary owing, 50,000 pesos for a savings plan (*por concepto de ahorros*), 4,879 pesos in union deductions, payment for the September 16 statutory holiday, payment of contributions to INFONAVIT, payment of overtime premiums, and a salary increase. They also denounced and demanded an end to bad treatment and verbal abuse by company representatives.¹¹⁵
- On July 16, 2001, CANACIVES of Tehuacan put its members under "observation" because of charges that they were hiring minors, after the visit to the city by representatives of the Junior Chamber of Commerce and Senator Olga Mendez, both of New York, at which time they publicly expressed their concern that the company Ropa Bien Hecha in Chilac was employing 30 minors.¹¹⁶
- On December 3, 2001, 50 employees of the maquila Estrella staged a *plantón* outside the factory, demanding their severance pay and charging the employer with unjust dismissals. They also appealed to the Local CAB for one-week salary in addition to the severance pay.¹¹⁷

¹¹² *El Mundo de Tehuacán*, 1 February, 2001.

¹¹³ Juan Ambrocio Jiménez, *El Mundo de Tehuacán*, 29 June, 2001.

¹¹⁴ Juan Ambrocio Jiménez, *El Mundo de Tehuacán*, 31 July, 2001.

¹¹⁵ Juan Ambrocio Jiménez, *El Mundo de Tehuacán*, 30 October, 2001.

¹¹⁶ *El Sol de Tehuacán*, 17 July, 2001.

¹¹⁷ Néstor Jiménez López, *El Mundo de Tehuacán*, 4 December, 2001.

- On December 29, 2001, approximately 15 workers at a clandestine maquila located in the *colonia* Sarabia staged a plantón outside the factory demanding payment of one week and a half salary owing. According to the workers, when they were hired they were told new employees were required to work the first week without pay, and must be willing to work up to 24 consecutive hours without overtime pay. Because it was a clandestine maquila, workers were not registered with social security, nor were they paid the statutory December holiday bonus.¹¹⁸
- On January 7, 2002, 40 workers at the maquila Cotton Gent staged a protest outside the factory demanding payment of the December holiday bonus for 2001 and of overtime pay owing for the past December. The workers denounced the violations before the local CAB, some of them requesting their severance pay.¹¹⁹
- On November 7, 2002, 26 ex-employees of the Tarrant Apparel Group's Ajalpan plant were awarded severance by the Local Conciliation Board for two to three years of service. The workers, including Mireya Correa Bautista, Blanca Isabel Luis Cedillo y Guillerina Sandra, were demanding compensation for unjust dismissals, charging the company's Vice-president David Andrew of verbally and physically assaulting them.¹²⁰
- On December 28, 2002, 45 workers at the maquila Chat 2 staged a *plantón* outside the factory, demanding payment of a week's salary and denouncing their employer's failure to pay full overtime premiums required by law. They also charged that management personnel were sexually harassing workers and that the company had failed to register workers with the IMSS, and as a result, workers who were ill received no sick pay. Workers also complained that they didn't receive their full December holiday bonus.¹²¹
- On December 29, 2002, 56 indigenous workers from San Sebastian Zinactepac who had worked between one and four years at the maquila Confecciones Dalexmar, made a complaint before Judge Agustin Cortes Huerta, demanding full payment of their December holiday bonus. The judge publicly denounced the company for not respecting the labour rights of its employees, and for paying wages that were less than the company reported to the IMSS. After the judge's intervention, the workers and the company were able to reach an agreement that resolved the conflict.¹²²

¹¹⁸ *El Mundo de Tehuacán*, 30 December, 2001.

¹¹⁹ Humberto Pérez Cote, *El Mundo de Tehuacán*, 8 January, 2002.

¹²⁰ J. Ambrocio Jimenez and A. Vera Guerra, *El Mundo de Tehuacan*, 1 November, 2002 and 8 November, 2002.

¹²¹ Apolinía Amayo Cid, *El Sol de Tehuacán*, 30 December, 2002.

¹²² *Ibid.*



The Human and Labour Rights Commission of the Tehuacan Valley, a registered non-governmental organization, is part of a regional aboriginal movement that defends the rights of indigenous peoples. Since 1995, the Commission has accompanied indigenous communities in the Tehuacan region, particularly the Nahuas, to gain recognition of their collective, communal rights.

In recent years, the Commission has worked with the young women and men who work in the maquilas assisting them in defending their labour rights. It has also raised public awareness of the environmental problems associated with maquila manufacturing in the surrounding communities.

The members of the association are: Rodrigo Santiago Hernández, Georgina Abraham Chavarría, Gastón de la Luz Albino, Guadalupe Bolaños Cortés and Martín Barrios Hernández.

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The Maquila Solidarity Network promotes solidarity between Canadian labour, women's and social movement groups and Mexican, Central American and Asian counterparts organizing to raise standards and improve conditions in maquiladoras and export processing zones. The MSN acts as the secretariat for the Ethical Trading Action Group and coordinates Stop Sweatshops campaigning in Canada.

This publication is part of a broader program of work examining the restructuring of the garment industry in the Americas and internationally, particularly in light of the phase out of the Multi-Fibre Agreement in 2005. We are most concerned about the impact of current restructuring on workers' rights.



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