

## **Senate Democratic Policy Committee Hearing**

### **“Are We Exporting American Jobs?”**

**CHARLES KERNAGHAN**  
Director, National Labor Committee

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My name is Charles Kernaghan, and I am the director of the National Labor Committee.

Ninety-six percent of apparel and footwear is now made offshore, as are over 50 percent of all manufactured products.

You have just heard the disturbing testimonies of Lydda Eli Gonzalez and Martha Iris Alberto. The corporations tell us that if we work hard, we will make it in the global economy. But something is wrong here. Martha works very hard. From 7:00 in the morning until 6:00 at night, six days a week, sewing \$18 and \$20 Nike and Gildan t-shirts, for which she is paid just five cents for each shirt she sews. She gets up at 5:00 in the morning and comes home exhausted at 7:30 at night. She lives in abject poverty, in a one-room hovel with one bed that she sleeps in with her youngest child. Another mattress is propped up against the wall, which they lay on the floor at night for her sister and other two children. There is no indoor plumbing. They share a latrine with three other families. Their only source of water is an outdoor wash sink, exposed to the rain, which they share with three other families. This is where they wash their clothes and their dishes, where they get their drinking water and wash themselves. When they bathe, it means dipping a bowl into the sink and splashing water on themselves. There is no privacy. Of course there is no hot water. Martha works very hard. But she and her family are trapped in abject poverty.

Martha and her co-workers are also very courageous and dedicated. When 34 cents a week was deducted from their wages, Martha and her co-workers were able to shut the plant down in a peaceful sit-down action, and not one machine operated. Their action was a success. They won their 34 cents back. But in retaliation, the owner fired 40 of the leaders, since it was clear to him now that they were organizing a union.

So it is not that the workers are not working extremely hard, and it is not that they have not struggled for their rights. They have. But when they ask for their rights, they are fired. The owner tells the workers that if they organize a union, they will be fired and blacklisted. The owner tells them that if a union is established in the factory, he will close the plant, leaving them penniless, and move the work to China.

You heard Lydda's testimony, and how shocked she was to find out that the Sean Jean shirts she sewed sold in the United States for 40 U.S. dollars. In her factory, a production line of 21 workers had to complete a minimum of 1,200 Sean Jean shirts. In effect this means that each

worker sewed 57 Sean Jean shirts a day, and 6 ½ each hour. In a week each worker was sewing 286 shirts. Yet the price of one t-shirt was more than she made in the entire week, which was \$33. In fact, the direct labor cost to sew the \$40 shirt is just 15 cents, less than 4/10ths of one percent of the retail price. If the workers' wages were raised by 66 percent so they could climb out of misery and into poverty, this would add just 10 cents to the labor cost to sew the shirt. Rather than 15 cents, the cost to sew the shirt would now be 25 cents, still less than 7/10ths of one percent of the retail price. It is clear that they money is there to pay these women at least a subsistence level wage. However, when the workers organize to defend their rights, to seek better wages and working conditions, they are fired and blacklisted.

Something is wrong here. Honduras, which is a small country of just 6 ½ million people, is now the third largest exporter of apparel to the United States, ranking right behind Mexico and China. Over the last 12 months, at a time when the U.S. economy was flat and tens of thousands of jobs were being lost each month, Honduran apparel imports increased by 18 ½ percent. Honduras now sends \$2.6 billion of apparel to the United States each year. So clearly trade is working, and the maquila apparel export industry is booming. But the workers themselves are being left behind, with stagnating wages and no rights. Over the last five years, the compounded inflation rate in Honduras has been 223 percent. So the real purchasing power of maquila workers wages has remained flat, or even declined.

At the very moment that the Central America Free Trade Agreement and the Free Trade Agreement of the Americas are being negotiated, respect for worker rights across Central America is under fierce attack, and unions are being destroyed each day. The unions in Central America believe that they are being wiped out in preparation for the FTAA agreement. Under the FTAA, local governments are responsible to implement their own labor laws. However, as we have seen in these cases, the governments are not implementing their own labor laws.

Look at the response to Lydda and Martha's speaking out in the United States. Because they dared to come to the United States and speak the truth about the violations in the maquila, in their country they are being branded as terrorists and traitors, literally putting their lives at risk. It is a crime for the workers to have a voice.

And the situation gets even worse. Right now in Honduras, as well as in other Central American countries, the factory owners are telling the workers that they are going to have to work harder, longer, produce more, for less money because in China there are 1,000 workers lined up to take each one of their jobs, and they are more productive and work for less money. So Honduras, one of the poorest countries in Latin America, has now been dragged into the Race to the Bottom. Honduran workers are now pitted against workers in China, competing over who will accept the lowest wages, the least benefits and the most miserable living and working conditions. For the multinationals, Martha's one-room hovel, her outhouse and outdoor sink are too extravagant and will have to be cut back.

And it is true that in China, tens of thousands of workers assembling cell phones for Motorola in factories owned by Electronics are working 13-hour shifts for just just 21 cents an hour. It is true that Wal-Mart uses 4,400 factories in one single province in China, Guangdong, where it is not

uncommon for workers to be forced to work 16 hours a day, seven days a week for base wages of 16 cents an hour. In an entire year, workers may get 12 days off.

The companies have demanded all sorts of enforceable laws, backed up by sanctions—intellectual property and copyright laws—to protect their trademarks. However, when you ask these same companies, “can’t we also have laws in the global economy to protect the basic human and worker rights of young women workers like Lydda and Martha,” they say, No, that would be an impediment to free trade. So under current trade rules, the label is protected, the trademark is protected, the product is protected, but not the human being who makes it. Without enforceable laws to protect core labor standards there will be no way to end the race to the bottom.