THE AMERICAS GROUP

2023 IN REVIEW

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JUNE 2024 **TO:** Americas Group (AG) **FROM:** AG Coordinating Committee[1]

Despite the difficult political and economic circumstances facing both workers and companies in the garment sector in 2023, not only in Mesoamerica, but also globally, the Americas Group (AG) remained committed to engaging in meaningful direct dialogue with national and local labour stakeholders, and can be proud of what we accomplished.

In 2023, companies and civil society organizations in the Americas Group participated in both in-person (hybrid) and virtual meetings in Mexico, Honduras and El Salvador. In both El Salvador and Mexico, the focus of our work throughout the year continued to be on developing policies and strategies to better ensure respect for workers' right to freedom of association (FOA) and to bargain collectively.

This report includes a summary of the Mexico and Central America committees' work in 2023, as well as initial work and program plans for 2024. The report concludes with a summary of our 2023 finances and a brief description of the organizational review that the Coordinating Committee has begun. A detailed financial report will be shared separately.

Thanks to all of you who contributed to the important work of the Americas Group throughout the year.

[1] The Americas Group Coordinating Committee (CC) includes representatives from adidas, Fanatics, the Fair Labor Association, New Balance, and the Maquila Solidarity Network. In 2023 and 2024, the CC also included representatives from Gap, LS&Co., and Nike.

ECONOMIC AND POLITICAL CONTEXT

In Central America, the post-pandemic downturn in the economy and in the demand for garments in consumer countries over the past year, along with chronic supply chain disruptions resulted in a higher than usual number of temporary layoffs and factory closures, as well as some permanent job loss. Some of these closures and layoffs also resulted in serious violations, including failure to provide legal severance, back wages, and other benefits owing. The job loss created additional uncertainty in the region, with many workers opting to migrate north. This economic context as well as the narrowing democratic spaces for civil society organizations and independent journalism in some countries in the region also limited the effectiveness of our work.

While the garment sector in Mexico dealt with many of the same challenges and insecurities, there were positive developments with regard to labour rights and freedom of association in particular. The country's labour justice reform combined with a new complaint mechanism in the USMCA/CUSMA/TMEC trade agreement, opened the door for Mexican workers, with support of US and Canadian allies, to organize independent unions and negotiate significant wage increases.

MEXICO COMMITTEE[2]

Throughout 2023, the Mexico Committee continued to assess progress in the implementation of Mexico's labour justice reform and to promote compliance with employers' new legal obligations under the reform regarding freedom of association and the right to bargain collectively.

The Committee convened five meetings over the year -- three online sessions in March, September and December, and two 1½-day in-person/hybrid sessions in April and November. A major focus of discussions at all meetings was what employers should and should not do in the post-CBA (collective bargaining agreement) legitimation period. However, the end date of the legitimation process was postponed by the Mexican labour authorities due to the large number of legitimation votes programed by unions to take place before the scheduled deadline. As a result, brands were not able to actively engage with suppliers regarding their new legal obligations in the post-legitimation period until near the end of the year.

For the first half of the year, through our April meeting, our focus was on internal education for Committee members on the probable outcomes of the CBA legitimation process and implications for employers, existing unions and workers. This included discussion of proposed changes to the Committee's FOA Guidance for Employers and Model FOA Policy to include the new legal obligations for employers, as well as rights of workers.

At our November in-person meeting, the Mexico Committee reviewed a draft version of the new FOA Employer Guidance document and Model FOA Policy. Company and civil society members of the Committee have since carried out internal reviews of those documents and have reported back on proposed changes and or additions.

[2] In 2023, the AG Mexico Committee included: adidas, Carhartt, C&A, Dick's Sporting Goods, Fanatics, Fruit of the Loom, Gap, Gildan, LS&Co., New Balance, Nike, Patagonia, PopSockets, Puma, PVH Corporation, Under Armour, VF Corporation, the Fair Labor Association and the Maquila Solidarity Network (MSN). The Mexico Committee Steering Team consists of Adidas, Nike; VF Corporation (which joined in April 2023) and MSN.

The November meeting also included an educational session during which Julia Quiñonez and Luisa Fernanda Valdez Morales of the Committee of Border Workers (CFO) shared a labour perspective on the challenges on the ground regarding the implementation of the labour reform, and US Labor Attaché Pablo Solorio provided the US government's perspective on the labour reform and the outcomes of Rapid Response Labour Mechanism (RRLM) complaints under the tri-national trade agreement.

On December 5, the Committee hosted the first of two 2-hour webinars for Mexican suppliers of Mexico Committee apparel brands on "The New Labour Relations Reality: Understanding Mexico's Labour Reform". Representatives from 32 supplier factories participated in the December webinar. The second webinar was held on January 16, 2024.

At the November meeting, the Committee agreed to a 2024 work plan, whose priority focus will continue to be the labour justice reform and freedom of association. In addition, it will host educational discussions on issues linked to recent and proposed reforms on sexual harassment and gender-based violence, hours of work, and outsourcing. Where possible, Mexico labour and other stakeholders will participate in those discussions. Given cutbacks in social compliance budgets, the Mexico Committee will only plan one in-person (hybrid) meeting in 2024, in June following Mexico's national elections. Other Committee meetings will be held virtually.

Now in 2024

In 2024, the Mexico Committee held its second webinar for suppliers on new employer obligations and workers' rights under the labour reform on January 16. On our April 24 call, the Mexico Committee did a final review of its new 2024 FOA Employer Guidance and Model FOA Policy, and a few minor changes were recommended. At the May 30 meeting of the Mexico Committee, the Guidance and Model Policy were approved. Plans for its circulation and implementation will be discussed at the June 19-20 in-person (hybrid) meeting of the Committee in Mexico City.

CENTRAL AMERICA COMMITTEE[3]

Freedom of Association in El Salvador continued to be the major focus of the Central America (CA) Committee's work in 2023. Our goal was to complete and launch the Employer FOA Guidance by year's end, which we met, and celebrated, in San Salvador in November.

As part of that work, the CA committee hosted three in-person-hybrid sessions, the first in March in Washington DC, and then two in El Salvador, in July and November. In-person attendance at the latter two was less than hoped for, yet another reminder that a return to regular in-person dialogue sessions with labour stakeholders is going to be challenging. At the March meeting in DC, in addition to getting feedback on draft text of the FOA Employer Guidance, the Committee agreed to re-establish its Honduras Working Group, to assess possibilities of returning to regular dialogue sessions with labour partners in Honduras, and explore possibilities for modest collaborative work in Guatemala.

[3] In 2023, the AG Central America Committee included adidas, Bella+Canvas, Carhartt, Dick's Sporting Goods, Fanatics, Fruit of the Loom, Gap, Gildan Activewear, LS&Co., New Balance, Nike, Patagonia, PUMA, PVH Corporation, Under Armour, VF Corporation, the Fair Labor Association (FLA), and the Maquila Solidarity Network (MSN). The CA Committee Coordinating Committee includes adidas, Fanatics, Fruit of the Loom, the FLA and MSN.

El Salvador: Agreement reached on an Employer Guidance on FOA

Ensuring Respect for Freedom of Association (FOA) in El Salvador was adopted and published in October 2023.[4] The Guidance was designed to provide employers in El Salvador's garment industry with greater clarity on the Committee's expectations regarding freedom of association. These included the policies they should adopt and actions they should take and refrain from taking to ensure respect for workers' right to freedom of association and collective bargaining in the workplace.

In addition to receiving detailed input from members of the CA Committee over more than a year, key international and El Salvador labour stakeholders provided feedback during the process. This extensive review process was essential to securing buy-in on commitments and a process that we hope will advance both discussion of and action on freedom of association in a country where resistance to respecting FOA remains endemic.

This work was coordinated by the El Salvador FOA Working Group, which in 2023 included VF Corporation, Under Armour, Adidas, Fruit of the Loom, Hanes Brands, the FLA and MSN. The Working Group worked closely with two independent legal and labour rights experts – Ena Nuñez O'Brien and Francisco Chicas.

The Guidance and implementation timeline were approved at the October 11 meeting of the Committee following a full-day hybrid review session with Ena and Francisco in mid-July. On November 8, the Committee hosted a 6-hour orientation workshop for Salvadoran employers in the sector, in which 36 senior management from 16 factories, as well as 8 representatives of CA Committee companies and civil society organizations, participated. Ena Nuñez O'Brien led a participatory and highly engaged discussion on the key elements in the Guidance document.

On November 11, the Committee met with our Salvadoran labour/women's coalition partners, FEASIES and ORMUSA, at which time we reported on the FOA Guidance and orientation session with suppliers and discussed possible joint initiatives in 2024.[5]

Honduras

The Honduras Working Group, which includes FOTL, Fanatics, Gildan, Hanes, Tegra, and MSN, hosted a catch-up and planning session in San Pedro Sula on June 3 with the coordinating committee of the Maquila Union Network of Honduras (RSM-H). Participants had a frank discussion of the challenges facing the industry in the current global economic context. The meeting ended with agreement to plan for a longer and more structured session to follow-up on issues raised in our meeting, to which we would invite other companies in the Central America Committee with sourcing in Honduras, as well as the FLA. However, given that the unions and international manufacturers have been preoccupied with negotiations on compensation for workers facing temporary suspensions and factory closures, that did not take place in 2023. Now that we are in 2024, members of the working group and representatives of the RSM-H are assessing whether the Americas Group has a contribution to make in facilitating the kind of dialogue discussed in 2023.

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[4] "Employer Guidance: Ensuring Respect for Freedom of Association in El Salvador" is available in English and Spanish (here).

[5] FEASIES is the union federation with the largest number of registered unions in the garment sector in El Salvador and ORMUSA is the most prominent women's organization working on labour rights. Previously they coordinated CEDM, the coalition with whom the Central America Committee has partnered for many years. Since the election of President Bukele, the advocacy on women's labour rights issues that CEDM was leading has not been possible, with the result that CEDM has been dormant.

Guatemala

In 2023, the small committee established in 2022 to explore the possibility of AG work in Guatemala, which included Fanatics, American Eagle Outfitters, Gap and MSN, had various follow-up meetings, including one with Teresa Casertano, the Solidarity Center's Central America Director who is based in Guatemala. That discussion focused on ongoing and persistent labour rights violations of freedom of association, wage payments and social security registration, unauthorized subcontracting and discrimination. The committee's assessment was that the AG should incorporate developments in Guatemala into its general educational discussions, but that it did not have capacity to initiate a coordinated program in that country. It recommended strengthening the AG's relationship with the Solidarity Center, which is focusing on providing support to a recently formed network of seven new unions in the garment sector in Guatemala.

Now in 2024

On April 17, the Central America Committee held its first full (virtual) meeting, with 30 participants from 17 companies, the FLA and MSN. The two priority items on the agenda were report-backs from member companies and civil society organizations on their activities and plans to use and promote the FOA Guidance in El Salvador, and a discussion of the current labour rights context in Guatemala, Honduras and El Salvador.

A number of companies reported that they are exploring ways to implement the Guidance. Five companies have had preliminary discussions with a least some of their Salvadoran suppliers, and three have had discussions with all of their suppliers. Thirteen companies reported that they will be developing an implementation plan later in 2024 or in early 2025, and twelve expressed interest in collaborating with other companies on implementation in shared factories. Plans are also underway on how to engage with Salvadoran unions on the content, purpose and possible use of the Guidance by their members and other civil society organizations.

As part of the discussion of labour rights developments in the region, Teresa Casertano provided an excellent overview by country of the current context, including the political situation, activities of labour authorities and unions, and an assessment of the opportunities and challenges. The committee will continue to check in and consult with Teresa as this year's program moves forward.

MONEY MATTERS

Americas Group total direct revenue contributions in 2023 were USD $136,800, a modest $750 increase over 2022. Given cutbacks in many companies' sustainability budgets, the AG Coordinating Committee was pleased that brand contributors were able to maintain their contribution levels. However, our program expenses came in at $170,313, which left us with a year-end shortfall of USD $33,513, which was covered by our AG Reserve Fund. When the AG Coordinating Committee met mid-year to review the budget in light of revenue vs expense projections the decision was made to proceed as planned with hybrid meetings in both Mexico and Central America, and with that the completion and publication of the El Salvador FOA Guidance despite the deficit projection. Our Reserve Fund, which is overseen by the Coordinating Committee, is currently at USD $48,146.

Americas Group participants who contributed financially in 2023 were: adidas; American Eagle Outfitters; Bella+Canvas; C&A; Carhartt; Dicks Sporting Goods; Fanatics; Fruit of the Loom; Gap Inc.; Gildan Activewear; Hanesbrands Inc.; LS&Co.; L2 Brands; New Balance; Next Level; Nike; Outerstuff; Patagonia; PopSockets; Puma; PVH Corporation; SanMar; Tegra Global; Under Armour; VF Corporation; and the Fair Labor Association.

FINAL NOTE: LOOKING INTO THE FUTURE

In 2023, the Americas Group (AG) Coordinating Committee began to discuss the challenges and limitations the Americas Group has faced since the start of the pandemic. What we initially thought and hoped would be temporary challenges, seem to have become long-term issues. For example, since the start of the pandemic, we have experienced a decrease in participation and engagement by many of the brands involved in the AG. Many have expressed that the current economic downturn has negatively affected their team's resources and ability to fully engage with Americas Group work at the pre-pandemic levels, particularly in-person dialogue with national labour stakeholders.

We have also experienced a high level of turnover amongst our brand participants, including company representatives that historically have played leadership roles in one or more of our coordinating committees. As a result, the Americas Group Coordinating Committee is currently exploring how to best adapt the AG's work to these new realities. Over the remainder of 2024, we will be assessing options for future work, which will include consultation with all brand participants, as well as civil society partners. In the upcoming weeks, we will be reaching out to participants with more information.