1 The Difference between Heaven and Earth

INTRODUCING ALTA GRACIA

April 16, 2010, was a day that few people at Alta Gracia will forget. Stuffed into an office no more than 10 feet by 10 feet were the factory's two accountants along with representatives of the union and a workers' rights monitoring group. At peak midday heat, everyone in the small room was sweating. On any flat surface not occupied by printers or computers were small manila envelopes, each with the equivalent of about US$125 in cash and a handwritten pay stub stapled to the front. The pay stubs were written on old-school transfer paper, so both the factory and the worker had a copy. It was a bit like a time warp to factories before the age of computers.

Outside the cramped office was the spacious factory floor that housed the rag-tag initial production lines of Alta Gracia. At the time, the workforce consisted of a couple dozen workers organized into two production modules. Each module was set up in an L-shaped line of twelve sewing machines with a worker at each one, each adding on their part of the t-shirt: the sleeve, the collar, hem or tags, before passing the shirt-in-progress to the next person. During each week of the training period, production sped up slightly more, getting the operators trained for full-speed output. After several rounds of samples and practice garments had been donated to local charities, this week was the first time finished t-shirts were destined for the U.S. market.

The production lines that made the first batch of Alta Gracia t-shirts took up no more than a quarter of the factory floor. The rest of the industrial shell lay empty. But there were hints at future expansion in the year to come: new machines to be refurbished and assembled into more production modules, and rolls of fabric for the new orders everyone prayed would come.

That Friday at 1PM sharp, a tinny bell rang, the marker for the end of the workweek. In past weeks, it had taken at least 20 minutes for the factory to clear out, as workers compared notes for the weekend's errands and dusted lint from the production line off their clothes. They'd then saunter into the bright sunlight of the industrial park where a pack of motorcycle taxis was revved up and waiting for them. Not today. Today, workers shot up from their seats and made a beeline for the office. Every soul in the building had been counting the hours and minutes until one o'clock.

Santo Bartolo Valdez Nuñez was one of the first to the door. He was tall and skinny. Like many Alta Gracia workers, he had sustained a long period of skipped meals before starting work at the factory. A faded jean jacket hung off of his lanky limbs and a frayed baseball hat sat on his head. He had dark circles under his eyes but a huge grin across his face. Like a kid on Christmas morning, he confessed that he hadn't slept much the night before because of the excitement. This kind of earnest excitement was not typical of the normally deadpan Santo. While some other Alta Gracia workers had gushed about their big hopes of paying off their crushing debt and starting clean, and others told each detail of the dream house they would start saving for, in the weeks leading up to now, Santo always brushed it off. Pointing to his sneakers, aged and cracking with the rubber worn thin, Santo said his first purchase would be new sneakers—golden ones. But today, not even Santo could hide his excitement. He had never received a paycheck this large.

And Santo was not alone. Workers waited in line for their pay with jubilation. Each worker leaving the office would sashay and pose with their paycheck as others snapped pictures, like celebrities on the red carpet. Workers embraced, slung their arms around each other, and shared with uncontained excitement what they would do next. Elba Nuris Olivo Pichardo, a sweet but no-nonsense mother of two, nearly jumped out of her own skin with joy, saying half of her paycheck was going straight to the bank to save up for house renovations. But not all joys were far off in the

Maritza Vargas, Lucrecia Sánchez Vicioso, Isabel Suero Rodriguez, and Yenny Pérez proudly show their *salario digno* pay stubs. Photo: Sarah Adler-Milstein.

future. Her daughters, since they learned about her new job, had been asking her, “Mom, does this mean we can go out for pizza?” The pleasure of being able to provide this treat for her kids brought her as much joy as did the prospect of future renovations.

How could such unbridled joy be caused by a US$125 payday? To understand, it helps to see Alta Gracia in its larger context, the apparel industry as a whole.[1]

THE HUMAN COST OF BUSINESS AS USUAL

Apparel factories were dubbed sweatshops as far back as the industrial revolution—when profits were said to be “squeezed from the sweat” of poorly paid workers laboring under horrendous conditions.[2] No consensus definition exists at the international level, but a number of common characteristics mark sweatshops. Typically, workers are subject to harsh and arbitrary discipline while denied rights to issue complaints or organize a union. Sweatshops pay workers subpoverty wages for excessively long hours manufacturing products under hazardous conditions—so hazardous that many people have lost their lives as a result. For instance, in 1911, 146 women workers died trapped in New York City's Triangle Shirtwaist factory, all for a lack of fire exits. When an uncontrolled fire broke out, many workers jumped to their deaths rather than be consumed by the flames.

Public outcry and worker organizing after that seminal workplace disaster led to safer factories, shorter hours, and better wages across the industry. Sweatshop conditions were nearly abolished in the New York apparel industry for several decades of the 20th century. However, in the late 20th century, apparel brands undermined this progress by shifting their production to factories with lower wages and looser labor law compliance. The globalization of the industry and fierce pressure to lower production prices, despite the human cost, led to a resurgence of sweatshop conditions.

In 2012, over 110 workers perished and 300 more were injured in disturbingly similar circumstances at the Tazreen apparel factory on the edge of Dhaka, Bangladesh—a factory that counted Walmart, Disney, and Sears among its clients.[3] Workers trapped on higher floors of the seven-story factory perished because the building, like virtually all garment factories in Bangladesh, had no fire exits. Preventing this tragedy would have meant nothing more than properly protecting the stairwells and exits with fire doors, as required by every building code in the world. Yet the apparel industry fails to ensure even this basic protection for millions of Bangladeshi garment workers. More than 100 years after the Triangle Shirtwaist fire, inhumane conditions continue in the apparel industry. Even today, most clothing in the global economy is made under working conditions strikingly similar to early 20th century sweatshops.

And still, sweatshops have their cheerleaders. Defenders of sweatshops often cast them as simply part of an early stage of economic development—one that will largely disappear as a nation's economy grows and moves into more sophisticated modes of production. Most economists echo the near fatalistic view of many corporate executives; both claim that the historical evolution of national economies, along with the pressures that come with competitive markets, help explain and justify the existence of repressive and dangerous workplace conditions—not to mention largely unlivable wages for millions of individuals. Even generally liberal economists such as Paul Krugman and commentators such as Nicholas Kristof have suggested that sweatshops must be endured because the only alternative could be "living on a garbage heap."[4] The "better than nothing" attitude—claiming that while future generations might enjoy improved conditions, no better choices exist for today's workers—leads to a resigned sort of shrugging, that it's just the way it is.

To make their argument, sweatshop defenders rely heavily on an appeal to economic theory, particularly the belief that free competition and global trade will efficiently allocate resources, rewarding producers who deliver maximum output at the lowest cost.[5] What follows from this belief is the certainty that high-cost companies in competitive industries will inevitably fail—that the more it costs for a company to produce and in turn sell its goods in the face of stiff competition, the more likely it is for that company to fold. In this way, economic theory in the abstract has very concrete, real-world consequences—namely the pressure for manufacturers to lower labor costs in any way they can. Squeezing wages, forcing laborers to work long hours, and looking the other way in terms of workplace safety violations are not just acceptable, they are effective ways to win the competition for production contracts.

In general, the global apparel sector is viewed as a highly competitive industry. With many thousands of factories scattered throughout the world, the assumption that the apparel sector is, in fact, a highly competitive industry seems perfectly reasonable. But manufacturing isn't the whole of the garment industry in and of itself. In fact, manufacturing represents just one part of the entire industry's supply chain. While yes, factories are small and numerous, the list of large retailers and brand-name firms that place orders and often control designs—the Walmarts and Zaras and J. Crews of the world—is not a terribly long one by comparison. A close look at the entire apparel industry, rather than just the factory segment, reveals that the industry actually is not highly competitive.

With relatively few large buyers headquartered in the global North and thousands of small apparel factories located primarily in the global South, the structure of the global apparel industry reflects an oligopsony—a structure where the buyers set prices and the factories, ultimately, take what they are offered. Apparel factories pressured to reduce costs in order to attract or keep production contracts—contracts that can easily be shifted among competing factories in different countries—only further intensify the "race to the bottom," the phrase coined to describe this relentless search for lower and lower production costs.[6] This unequal bargaining power—where a few powerful buyers pressure numerous, significantly less powerful producers—also shapes the way industry profits are distributed. In order to offer lower-cost contracts to the buyers, factory owners squeeze wages.[7] Factory workers, with hardly any other options in terms of employment opportunities, are the biggest losers, forced to take what they can get in terms of pay, hours, and working conditions. The main winners, then, are brand-name firms—the names and apparel brands you ultimately see on store shelves—that enjoy increased profits even while avoiding charging higher prices to consumers.

Such a lopsided bargaining dynamic is largely made possible by the global outsourcing of apparel production—where well-known brands with market power negotiate contracts with a global network of factories rather than take ownership over such facilities themselves. While outsourcing production can be an efficient way to allocate resources, it also allows a concomitant and convenient outsourcing of responsibility for the labor conditions that exist in those factories. Many companies argue they have no right, responsibility, or capability to insist on higher labor standards in contracted factories where they have no ownership. They wash their hands of the bad conditions and low wages faced by those workers who ultimately are manufacturing goods in their name, all the while reaping the material benefits that come from loose labor regulations and low pay.

And so it goes. Brands subcontract to ever lower-cost suppliers who bring with them inherently low wages and unsafe work conditions. The race to the bottom speeds up, punishing factories that may try to provide higher wages and invest in safer infrastructure. More often than not, brands choose the lowest-cost factory—no matter the health and safety risks or wage theft inherent in rock-bottom costs.

The human cost of business as usual in the apparel industry is immense. However, it is invisible to most apparel consumers. Factory doors are shut to outsiders while occasional visits from monitors catch just a glimpse of briefly sanitized working conditions. The only way to understand the real working condition at a factory is to hear the experiences of workers who live it daily. Of course, workers who tell their stories face substantial risk. At a minimum, suspected troublemakers face loss of employment and blacklisting at other factories. Other times, the consequences for speaking out are more severe. Especially in countries where factory owners are closely tied to the government, police, or military, protests or efforts to organize unions are met with official repression, including violence. Such was the case in 2012 when former textile worker and labor organizer Aminul Islam was tortured and killed while advocating for increased wages and fire safety measures in Bangladesh's apparel factories.[8]

Especially horrific or shocking events like the Rana Plaza building collapse (which killed over 1,100 workers in Dhaka, Bangladesh) or the discovery of Thai laborers imprisoned behind barbed wire in a Los Angeles factory periodically capture public attention, thrusting the term "sweatshop" back into the daily lexicon.[9] But absent headline-grabbing disasters, millions of workers, struggling to survive on subpoverty wages in unsafe and abusive conditions, slip back below the horizon of conscious concern.

The most effective consumer efforts to address working conditions in the globalized apparel industry emerged nearly two decades ago on college campuses. Driven by student protests, codes of conduct for licensed collegiate apparel set labor standards for this niche market. Even so, monitoring mechanisms have struggled to assure compliance in an industry with rampant abuse. Brands outsource production as well as responsibility for labor conditions to overseas factories making their products, claiming that competition requires their prioritizing low-cost contracts—and necessitates their acquiescence to the current production model, with its low wages, unsafe conditions, and abuse.

But low wages, unsafe conditions, and abuse aren't inherent to the making of clothes. Alta Gracia's existence challenges the conventional wisdom that factories can't afford to do the right thing.

A REVOLUTIONARY CHANGE

In the Dominican Republic, it is common to speak of an indescribable difference as *la diferencia entre el cielo y la tierra* (the difference between heaven and earth). Looking at the Alta Gracia factory from the outside, with its white-washed cinder block walls and corrugated tin roof, it's hard to understand why workers so often use this phrase to describe it. A quick peek inside also reveals nothing extraordinary—a half dozen production lines, workers at standard sewing machines. What is all the fuss about? Why has this apparel factory in a small Dominican town caught the attention of journalists, politicians, and students from hundreds of U.S. universities?

To an outsider, the hints that this is far from a "normal" factory are subtle but ever present. The hum of sewing machines competes with danceable Dominican music played over the loudspeakers, singers crooning about the joys of new love or the pain of devastating heartbreak. You can hear workers singing along at their machines or catch them swaying their hips to the music on their way to a water break. Meanwhile, rivers of brightly colored fabric whiz through the production lines in deep forest greens, fuzzy gray heathers, pale pastel pinks, and sunny yellows.

Alta Gracia consists of about 200 workers churning out t-shirts and sweatshirts. Each worker draws from a pile of cloth indistinguishable until folded and sewn as sleeves or collars. At the end of each line of sewing machine operators, final garments pile up until they are whisked to inspectors ready with measuring tapes to detect any imperfections. They snip out each extra millimeter of thread and mark any trace of machine grease for removal. The garments that pass the inspectors' discerning eyes are packed into cardboard boxes and stacked high in shipping containers destined for U.S. college bookstores.

While it may sound simple, much of the difference between heaven and earth is, in fact, not something readily visible at the factory; it's the education, healthcare, and food that workers can afford on Alta Gracia's living wage. But that doesn't capture the difference fully. In Spanish, "living wage" is translated as *salario digno* or "wage with dignity." Several workers explain the importance of *salario digno* this way:

> To me, "salario digno" means being taken into account; you are actually valued at work. People are able to get a higher education, better intellectual development, and better nutrition; without this, we can't have goals. Before, we were excluded from the whole system.

> "Salario digno" means being able to work toward our aspirations. It allows one to accomplish dreams. In [a previous factory], the road was always dark. We always had to be borrowing money and taking out loans. You don't get to see the results of working. A "salario digno" allows you to be identified as a human being.
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> With a "salario digno," I don't lose sleep anymore, as a mother, wondering how I will make ends meet. I would say Alta Gracia is the salvation for a lot of mothers.[10]

Alta Gracia also involves workers in decisions about how the factory runs: from setting the work schedule, to coming up with ideas to improve productivity, to ensuring the factory meets safety and health standards. Alta Gracia is unique in that well before the factory opened, the founders collaborated with their future workers, many of them activists that no other factory would hire, to agree on the labor standards the factory would uphold—the highest in the industry. Then they did something even more unheard of—allowed a notoriously tough labor watchdog organization full access to ensure they were keeping their word.

It has made the difference between heaven and earth.

THE COST OF A DOLLAR

You may be thinking, "respect for workers is nice and all, but what exactly does a *salario digno* mean in terms of the dollars and cents?" When the Alta Gracia factory opened in 2010, the difference between the legal minimum wage and Alta Gracia's living wage was US$2 an hour (US$0.83 vs. US$2.83). While US$2 might not sound like much, it amounts to a more than 300% increase over the minimum—and the largest single paycheck anyone in the factory had ever received. And even though Alta Gracia's living wage is more than 300% higher than the legal minimum, it adds less than US$1 to the cost of producing a typical sweatshirt. One dollar—less than fare on a city bus, a single cup of coffee, or many ATM fees—is the difference between sweatshop conditions and apparel workers being paid a living wage to work normal hours under safe conditions. And even so, at present, Alta Gracia is still the only apparel factory of its kind to pay a living wage, maintain excellent health and safety conditions, and respect union rights—all verified by an independent labor rights organization.

Alta Gracia also demonstrates that investment in a living wage and high labor standards can be at least partly offset by lower worker turnover and improved productivity.[11] For example, while the typical apparel factory loses 50–60% of its workers each year, turnover at Alta Gracia is around 5%, meaning it avoids much of the time and cost associated with continuously training new workers to replace experienced operators. Considering both the wage and respect dimensions of a *salario digno,* it is easy to see why Alta Gracia workers vote with their seat rather than their feet, seldom leaving the company's employ.

It is no huge surprise that Alta Gracia workers are deeply committed to the factory's financial success. If Alta Gracia fails, not only will they lose the best paying job they've ever had, but the only functioning example that business can be done differently will be obliterated. Indeed, Alta Gracia stands on the cusp of providing a compelling and sustainable alternative to more than 100 years of exploitation in the apparel industry. In 2014, Alta Gracia was aiming to break even and expected to turn profitable in 2015—a surprisingly short time for a company starting from nothing, whose retail display space and sales come from displacing better-known brands. If the factory succeeds, its example will provide even stronger evidence that brands with an already established customer base can far more easily pay workers a living wage and remain competitive.

To be clear, simply replicating the model of Alta Gracia in additional start-up factories is not, ultimately, the end goal. It's putting big, entrenched brands on the hook for the people manufacturing products in their names—ensuring living wages, freedom of association, good working conditions, and reasonable hours—and making the case that it is more than reasonable for consumers and policy makers to demand that they do so. If a company that came from nothing—a company with no brand recognition, that essentially had to grab shelf space by displacing well-known brands already producing comparable materials more cheaply—can afford to pay its workers enough to learn and eat and take care of their families, then what excuse is there for an entrenched brand-name powerhouse to squeeze wages? We're talking about a dollar here—less than some can fish out of their couch cushions. In this light, abstract arguments based on accepted economic theory—especially when an industry isn't nearly as competitive as conventional wisdom would suggest—just don't hold water.

In reality, there is very, very little keeping large buyers—the big name apparel brands that line the shelves and shirt racks of the world's retail stores—from adopting a model where factory workers are treated with dignity and compensated fairly. Large buyers already set and enforce product quality control standards in contracted factories. For instance, if a factory produces apparel of substandard quality, the potential damage to the contracting brand's reputation means that corrective action is taken immediately or the contract will be terminated. But brands treat minimum labor standards for contractors differently, because the brands' pricing and sourcing practices are the ultimate cause for these conditions. These practices are fundamental to their business model, and thus attention is only really paid to the very few standards with the greatest potential for reputational damage—such as child labor. As long as factory practices and conditions don't impact their sales through a scandal, brands seldom take responsibility for addressing problems like wage theft, sexual harassment, and long hours. The main point is that large buyers possess the power to influence factory labor conditions the same way they determine product quality standards. It is a lack of will, rather than a lack of capability, that is the issue.

While advocates, academics, and activists decry continuing sweatshops and press for meaningful reform action, highly profitable corporate brands continue to benefit from the exploitation of vulnerable workers, particularly in the global South. The Nikes and Gaps and H&Ms of the world have few qualms about continuing to squeeze profits from the sweat of the workers making their clothes.

Alta Gracia's existence demonstrates that better alternatives can be available to many workers today. By establishing good health and safety standards in the workplace and setting a living wage as a minimum condition for decent employment, this Dominican factory shows that exploitation doesn't have to be sewn into our clothes. In fact, major brands can and should be on the hook for providing safe and fair conditions in all the factories making their clothes.