



WORKER RIGHTS CONSORTIUM

To: WRC Affiliate Universities and Colleges
From: Scott Nova and Jessica Champagne
Date: May 21, 2014
Re: Update on Russell Athletic/Fruit of the Loom in Honduras

We write to share an update that reflects important progress with regards to workers' rights in Honduras at Jerzees Buena Vista, a factory owned by Fruit of the Loom (FOTL) that produces collegiate licensed apparel for Russell Athletic (Russell), a subsidiary of FOTL. Jerzees Buena Vista management and SitrajerzeesBV, the union representing workers at the factory, have negotiated a collective bargaining agreement that will bring significant new benefits to workers.

This memo also contains an update on Vanity Fair Intimates of Honduras (VFI), another plant in Honduras owned by Russell/FOTL. Until recently, VFI produced non-collegiate tee shirts and intimate apparel. Russell/FOTL is now converting VFI into a distribution center that will process all of the company's exports from Honduras, including collegiate apparel.

As many of you know, Russell/FOTL signed an agreement with the Central General de Trabajadores (CGT) on November 14, 2009, in which the company committed to respect workers' freedom of association at all directly-owned Russell/FOTL plants in Honduras, including Jerzees Buena Vista and VFI.¹ This agreement also resolved violations of university codes of conduct pertaining to the closure of the Russell/FOTL-owned factory Jerzees de Honduras.

We will continue to update universities on the implementation of this agreement and developments at Jerzees Buena Vista, VFI and the other factories owned by Russell/FOTL in Honduras.

¹ More information on this case is available on the WRC website at <http://www.workersrights.org/Reports/JerzeesCholoma.asp>; a summary of the agreement is available at http://www.workersrights.org/linkeddocs/WRC_Statement_on_Russell-CGT-SitrajerzeeshAgreement.pdf.

Jerzees Buena Vista

On October 25, 2013, a collective bargaining agreement was signed between Jerzees Buena Vista factory management and the union representing workers at the factory. Jerzees Buena Vista is located in Villanueva, Cortes, Honduras and employs approximately 600 workers. The union formed by workers at the plant, SitrajerzeesBV, is affiliated to the Central General de Trabajadores (CGT).

On February 27, 2012, workers requested legal recognition for SitrajerzeesBV; Honduran authorities granted this recognition on April 25, 2012. The union and the company began bargaining their first contract on October 19, 2012. After almost one year of negotiations, the two parties signed a collective bargaining agreement that is now providing real benefits to workers and their families.

As a result of the contract, workers now receive higher production bonuses, one free meal at lunchtime, and additional vacation days. In addition, both workers and their children are now eligible for educational funds and scholarships. The company also committed in this contract to provide a number of benefits that are required by law, but had not been fully implemented at the factory in the past. These include the provision of free transportation to and from work and healthcare for workers' older children (ages 12-17), in addition to their younger children who already receive health care from Jerzees Buena Vista.

Workers who are leaders in the union report that workers have seen a vast improvement in relations between management and the workers at Jerzees Buena Vista, and that the plant level union leaders are able to speak freely with supervisors and managers to address problems affecting the union and the individual workers.

We congratulate the SitrajerzeesBV union; its parent federation, the CGT; and Russell/FOTL on the continued progress in their collective efforts to ensure full respect for workers' rights.

VFI

On February 18, 2014, VFI factory management and the union representing the VFI workers reached an agreement as to the terms of VFI's conversion from a sewing plant to a distribution center. Prior to the conversion, VFI, which is located in Choloma, employed approximately 1,100 workers.

On December 11, 2012, VFI workers requested legal recognition from the Honduran labor authorities in order to register a new union called SitraVFI, affiliated to the CGT. The Ministry of Labor legally recognized the union on January 9, 2013. The union and the company began negotiating a collective bargaining agreement on April 20, 2013.

On January 22, 2014, VFI management informed the workers and the union that it was converting the VFI sewing facility into a distribution center, which would result in a considerable reduction in the workforce. Russell/FOTL executives in the United States informed the WRC of the planned conversion on the same day.

As in any case of a factory closure or significant layoffs, workers who were leaders in the union were concerned about the impact of the impending layoffs on their coworkers and families. In addition, the union was concerned that the cessation of the VFI sewing operations would reinforce the common fear among workers in Honduras that if they choose to unionize, they will lose their jobs. Over the following several weeks, VFI management, SitraVFI, and the CGT met to negotiate terms for the conversion that would minimize harm to workers and to freedom of association.

On February 18, the company and the union signed an agreement granting significant benefits to workers above what is required by law. In this agreement, Russell/FOTL committed to:

- Provide one year of health benefits to all workers who are laid off as part of the conversion;
- Provide an additional severance payment to all laid-off workers, above the amount stipulated by Honduran law; workers who are not immediately reemployed at other Russell/FOTL plants will receive three to six months of salary, depending on their years of service;
- Open an employment office for all of the affected workers in order to help them find employment at other Russell/FOTL facilities and other sewing operations in the area;
- Prioritize former VFI workers for employment at other Russell/FOTL facilities;
- Distribute a public statement clarifying the reasons for the company's decision to convert VFI into a distribution center, specifying that the decision was not related to employees' decision to unionize;
- Work with the union to determine a process for the layoffs; and
- Offer other protections and benefits for both the workers that will continue at the distribution center and those who will be affected by the cutbacks.

SitraVFI will continue to be recognized as the legal representative of its remaining members after the conversion to a distribution center. The parties agreed that the Oversight Committee established by the 2009 agreement will monitor the agreed-upon terms for the VFI agreement, and that the WRC will be authorized to observe and review the implementation of this new agreement.

While the job loss related to this conversion is regrettable, it is notable that Russell/FOTL has chosen to manage the conversion with a level of transparency and respect for freedom of association that is extremely unusual in the apparel industry. All too often, this type of layoff in the apparel industry is announced to workers with little or no notice, with no consultation with workers' chosen union leaders, and without prompt payment of legally required terminal benefits. In sharp contrast to this unfortunate norm, Russell/FOTL chose to notify the WRC and the workers' representatives of the impending layoffs months prior to the conversion, to engage directly with the union representing the workers, and ultimately to provide benefits above those required by law.

It is to the credit of both Russell/FOTL and the CGT that the two parties successfully negotiated an agreement on the terms of the conversion. This successful process reflects the maturation of labor relations at Russell/FOTL's facilities in Honduras that has been achieved as a result of the 2009 agreement between Russell/FOTL and the CGT.