WORKER RIGHTS CONSORTIUM

To: WRC Affiliate Colleges and Universities
From: Scott Nova and Jessica Champagne
Re: Partial Remediation at Petralex (Honduras)
Date: June 23, 2015

Since the WRC released our assessment and recommendations regarding worker rights violations at the Petralex factory in Honduras,[1] there has been significant progress towards remediation. Following intervention by university licensees, Petralex management has reinstated workers who suffered retaliatory termination and has begun a series of regular meetings with the union in which they will establish a plan for implementing most key elements of a remediation plan provided jointly by the WRC and the Fair Labor Association (FLA).

While the company had initially refused to provide full back pay to union members, and to leaders and family members of union leaders, who were terminated in retaliation for their connection to union activities, the WRC has urged buyers to press vigorously for full remediation in this regard. This Monday, June 22, Hanesbrands, the parent company of licensee Gear for Sports, reported to the WRC that the company will, in fact, make additional payments to workers to complete the total amount of back pay owed to the workers in question. The WRC understands that these payments will be made to workers by July 6, 2015.

As the WRC reported on April 20, Petralex terminated at least 17 workers in an effort to prevent workers from exercising their associational rights by reconstituting a union in the factory. Workers have repeatedly attempted to elect and maintain a leadership committee for the SITRAPETRALEX union, affiliated to the Federacion Independiente de Trabajadores de Honduras (FITH), dating back to at least 2007; Petralex has consistently responded by terminating the workers involved. In the most recent round of retaliatory terminations, in March 2015, Petralex not only terminated workers who were union

[1] "Worker Rights Consortium Assessment re Petralex (Honduras): Findings, Recommendations and Status," April 20, 2015, http://www.workersrights.org/Freports/WRC Assessment re Petralex %28Honduras%29 4.20.15.pdf.

5 Thomas Circle NW Fifth Floor Washington, DC 20005
(202) 387-4884 Fax: (202) 387-3292
wrc@workersrights.org www.workersrights.org

members and leaders, but also targeted workers who were family members of union leaders.

The WRC contacted the licensees sourcing from Petralex, which include Box Seat, Outerstuff (including production under license from adidas), Team Athletics, Gear for Sports (including Under Armour licensed production), VF, and the Dallas Cowboys, regarding these violations. Several days later, the FLA also issued a report, confirming the violations and making similar recommendations. Given these common findings and recommendations, the WRC and FLA agreed to create a joint remediation plan. The WRC and FLA provided this remediation plan to licensees on May 5.

On May 21, the union and Petralex management finalized a written agreement in which the company committed to take key specific remedial actions called for in the joint remediation plan and to continue meeting regularly to agree on, and implement, additional steps to satisfy the remaining elements of the plan. The fact that the company and the union have begun, and continued, meetings to discuss the remediation plan is, in itself, a significant step forward, given the factory's history of refusing to engage with the union.

As part of the union-management agreement, the factory committed to reinstate the workers who were terminated or pressured to resign in retaliation for their own or their family members' union activity.[2] Fifteen workers chose to take advantage of this opportunity to return to the factory; the union reports that all fifteen are now back on the job. Factory management also committed not to engage in any further retaliation against workers for union activity, to provide the union with a bulletin board at the factory to post union messages and information, and to provide union leaders with paid leave to engage in union activities.

The factory also committed to meet with the union every fifteen days regarding the remaining elements in the remediation plan. The union reports that, pursuant to discussions at these meetings, the company developed a statement regarding its respect for freedom of association, in consultation with the union. The statement was read over the factory's public address system, read to each production line by its supervisors, and posted on bulletin boards. This fulfills another element of the remediation plan. The union further reports that they are in the process of planning the recommended freedom of association trainings and other elements of remediation.

[2] The company and union agreed that the case of one additional worker, mentioned in the initial WRC report, would be left up to the labor court; the company had reported that this worker was terminated for cause after a physical altercation at the factory. The WRC has not found sufficient evidence to draw conclusions as to the reasons for her termination.

As part of the May 21 labor-management agreement, each worker who returned to work received some amount of money. Most of the workers, who had received severance benefits at the time that they were terminated, received 4,000 lempiras (US$184)[3] at the time of reinstatement. Five workers who did not receive severance benefits at the time of termination received larger payments when they were reinstated; the WRC has not been provided with detailed calculations as to how these payments were determined. In addition, two workers who elected not to return to the factory did not receive even partial back pay.

In approximately one third of the cases, the total amount workers received was less than the amount that the workers were owed in back pay. However, following continued conversations with the apparel brands that purchase collegiate licensed apparel from Petralex, Hanesbrands reported on June 22 that the factory has made a verbal commitment to pay the difference of what was owed to workers in back pay, payments that Hanesbrands expected to occur within a period of not more than two weeks.

The labor-management agreement states that if and when the reinstated workers ultimately end their employment at Petralex, "the amount for severance and labor indemnities that the company previously paid out shall be deducted from the new liquidation." This means that when these workers ultimately leave the factory's employment, they will be treated as if they had already received their severance payments for their years of employment prior to the termination. Hanesbrands has reported to the WRC that it believes that the factory will act properly in this regard by rescinding this earlier statement in order to confirm that the previous payments made to workers will be considered back pay and that these amounts will not be deducted from payments of severance in the case that any of these workers should, in the future, leave employment at Petralex. The WRC will monitor the outcome on this issue and will report accordingly.

Particularly in the context of Petralex's eight years of anti-union activity, the progress that has been made on this case is notable. It is highly unlikely that Petralex would have taken such action without the engagement of the licensees sourcing from this facility. It will be key for licensees to continue to engage to ensure that the company follows through on the additional payments owed to workers and on its initial steps towards respect for freedom of association and mutually respectful labor-management relations.

As you know, violations of associational rights, like those committed at Petralex, are all too common in Central America – and in the collegiate supply chain, specifically. The WRC appreciates the efforts of licensees to intervene and achieve remediation in this case. However, stronger steps by licensees are essential to ensure that managers of all

[3] All conversions in this report use the rate US$1:21.79 lempiras.

contract factories in this region understand that violations of this type will not be tolerated by buyers, even if they frequently have been in the past. It should not require intervention under university labor codes to reinstate fired union leaders in an industry and a region where the risks of such retaliatory firings is well known to licensees; if licensees took aggressive preventative measures, such intervention would not be necessary.