



## WORKER RIGHTS CONSORTIUM

**To:** WRC Affiliate Universities and Colleges

**From:** Scott Nova, Jessica Champagne, and Tara Mathur

**Date:** January 21, 2016

**Re:** Update on Russell Athletic/Fruit of the Loom in Honduras

We write to provide an update on developments at two facilities in Honduras, Jerzees Buena Vista and Manufacturas Villanueva. Both produce collegiate licensed apparel for Russell Athletic, a subsidiary of Fruit of the Loom (FOTL), and are owned by Russell/FOTL. Both factories are located in Villanueva, Cortes, Honduras and both have signed collective bargaining agreements with unions affiliated to the Honduran union federation known as the Central General de Trabajadores (CGT).

As many of you know, Russell/FOTL signed an agreement with the 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 Manufacturas Villanueva.<sup>1</sup> This agreement established a framework for future labor-management relations and resolution of disputes that is extremely unusual in the industry and provided a venue to resolve the issues described in this memo. Since this agreement was signed, workers at the two factories discussed in this memo formed unions affiliated to the CGT, the Jerzees Buena Vista Workers Union (SITRAJERZEESBV) and the Manufacturas Villanueva Workers Union (SITRAMAVI), respectively.

In early October 2015, management at the two facilities announced to workers that the Jerzees Buena Vista facility would close and that its employees would be transferred to Manufacturas Villanueva. In order to accommodate the approximately 600 Jerzees Buena Vista workers at the Manufacturas Villanueva facility, Russell/FOTL stated, Manufacturas Villanueva would adopt a new work schedule. At the time of the announcement, Manufacturas Villanueva operated using a traditional schedule in which workers work four nine-hour days and one eight-hour day for a total of 44 hours per week, the legal limit established by Honduran law.<sup>2</sup> Workers at Manufacturas Villanueva were informed that the company would convert its production schedule

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<sup>1</sup> 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](http://www.workersrights.org/linkeddocs/WRC_Statement_on_Russell-CGT-SitrajerzeeshAgreement.pdf).

<sup>2</sup> Honduran Labor Code, Article 272.

from this schedule to what is known in Honduras as a “4 by 4” schedule, in which factory employees alternate four 11-hour days of work with four days of leave. The factory uses two teams on complementary schedules, enabling the factory to accommodate a larger number of employees.<sup>3</sup>

Since this announcement, Russell/FOTL, the CGT, and the relevant CGT-affiliated unions have successfully negotiated the terms of this transition. Russell/FOTL initially announced this plan without consultation with the plant-level unions or the CGT. Once alerted by their members, the unions and federation contacted Russell/FOTL to request the opportunity to negotiate over the factory closure and worker transfers, as Russell/FOTL’s decision would significantly alter the work environment for the approximately 1,800 workers at the two factories. Following the intervention of the Worker Rights Consortium (WRC) and other allies, Russell/FOTL agreed to negotiate the terms of the transition at both factories with the CGT and its member unions.

After several meetings between the parties, at which the WRC played an observer role, the CGT, the plant-level unions, and Russell/FOTL management reached agreements regarding the terms of the transition. The parties signed separate agreements regarding each of the two factories; Russell/FOTL, SITRAJERZEESBV, and the CGT signed an agreement regarding Jerzees Buena Vista on November 23, 2015, and Russell/FOTL, SITRAMAVI, and the CGT signed an agreement regarding Manufacturas Villanueva on December 4, 2015.

In short, the agreements state that workers at Jerzees Buena Vista will terminate employment with this company and receive payment of the severance to which they are legally entitled.<sup>4</sup> In addition, the company will offer an additional 30% bonus above the amount required by law to those workers who, at the time of the transition, meet the company’s established efficiency rate. Russell/FOTL committed to offer all Jerzees Buena Vista workers new employment contracts at Manufacturas Villanueva on the day following the termination of their existing contracts. The workers will be hired at Manufacturas Villanueva as new employees, but will not be required to complete a probationary period. Additionally, for the purposes of calculating their accrued vacation, the workers will maintain their seniority from Jerzees Buena Vista.<sup>5</sup>

Manufacturas Villanueva will discontinue the traditional five day work schedule and begin operating according to a “4 by 4” schedule under which workers will work from 6:55 a.m. – 6:20

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<sup>3</sup> Although Article 214 of the Honduran Labor Code establishes that working hours that exceed eight hours will be paid at an overtime premium, Article 322 allows for exceptions to the standard work schedule pending authorization from a relevant authority. While the law does not specify which authority will grant such authorizations, to date, companies that have elected for the “4 by 4” schedule in Honduras have obtained such authorization from the Ministry of Labor.

<sup>4</sup> Article 120 of the Honduran Labor Code stipulates that workers will be paid severance at an amount that correlates to the length of their service with the employer.

<sup>5</sup> Article 346 of the Honduran Labor Code grants an increasing number of vacation days to workers based on their length of service with the same employer.

p.m. for four consecutive days, followed by four days during which they will not report to work. During their workdays, they will receive two paid breaks and an unpaid, 35-minute lunch break. In exchange for accepting the altered work schedule, the company has agreed to provide the workers with additional transportation to and from their homes to the workplace; this is particularly important for workers given the high crime rate in Honduras and the fact that they will now be leaving the workplace later at night, when security risks are heightened and public transportation is limited. Russell/FOTL also committed to providing an additional day of paid vacation each year to those workers who have completed three years of service or more and to provide the union with additional funds for its annual Worker's Day celebration.

As reported on May 21, 2014,<sup>6</sup> workers at Jerzees Buena Vista signed a collective bargaining agreement with management on October 25, 2013. Workers at Manufacturas Villanueva signed a collective bargaining agreement on June 4, 2015, with similar terms. The transferred workers will be covered by the collective bargaining agreement at Manufacturas Villanueva and, so, will continue to enjoy benefits above the industry norm, including production bonuses above the industry norm, educational scholarships for workers, and the establishment of a savings and loan cooperative.

The recently-signed agreements established the creation of a special commission to monitor their implementation that includes representatives of both plant-level unions, the CGT, and the company. The Oversight Committee established by the aforementioned 2009 agreement will monitor compliance and the WRC will participate as an observer.

During this closure, workers' voices were heard and their rights were respected. Russell/FOTL and the Honduran unions negotiated a resolution that ensured that workers were transferred on fair terms, including benefits above those required by law, and that these terms were clearly communicated to workers. This is a tribute to the framework established by the 2009 agreement and the relationship formed over the past seven years of negotiations. This process and outcome stand in distinct contrast to typical industry practices; all too often, factory owners in the apparel industry shutter factories suddenly and without advance notice to workers, often failing to provide workers with wages and other compensation that they have earned.

The unions reported to the WRC that the first group of workers were severed from Jerzees Buena Vista on January 8 and hired at Manufacturas Villanueva on January 11, 2016. The WRC will continue to update universities on the implementation of these agreements and developments at Jerzees Buena Vista, Manufacturas Villanueva, and the other factories owned by Russell/FOTL in Honduras.

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<sup>6</sup> See, WRC memorandum to universities, "Update on Russell Athletic/Fruit of the Loom in Honduras" (May 21, 2014), <http://workersrights.org/Reports/WRC%20Update%20on%20Russell%20Athletic%20Fruit%20of%20the%20Loom%20in%20Honduras%205.21.14.pdf>.