

Worker Rights Consortium Annotation of Russell Corporation's March 4 Letter to Universities and Colleges

Text of Russell letter appears in black. WRC comments and correctives appear in blue.

Dear Our Collegiate Partners:

We value our partnership with your school and we're honored that Russell Athletic merchandise is part of your collegiate community. That's why we want to protect our good name and reputation by doing everything possible to share the facts about our manufacturing operations. You've probably heard some attacks recently that have been aimed at our company, and we thank you for taking time to understand the truths contained in this letter.

Universities have not learned about Russell's labor practices through "attacks" on the company. The primary sources of information are, instead, the investigative reports of the university community's designated monitoring agents, which have documented an extensive pattern of abuse of workers' associational rights by Russell over a two-year period.

The recent decision to close Jerzees de Honduras (JDH) had nothing to do with unions. In fact, we previously recognized that plant's union status on October 3, 2007 -- more than a year prior to the closing.

Russell only recognized the union at JDH after it was forced to do so by university pressure. Prior to October of 2007, Russell carried out a seven-month campaign of threats, intimidation and illegal firings of union leaders at JDH and a sister factory. In every case, Russell falsely reported that the firings were for economic reasons and "had nothing to do with the unions" – the same claim they are making now. It was only after these abuses were exposed (by the WRC and subsequently the FLA), and after universities began to take action against Russell, that the company admitted the illegal firings, reinstated the workers and finally recognized the unions. It is more than a little disingenuous for Russell to offer the events of 2007, when the company carried out a campaign of illegal firings of unionists, as evidence of the company's respect for associational rights.

As the Fair Labor Association (FLA) noted in its report: "If the primary motive of the company had been to frustrate the union, it could have closed JDH earlier and even switched production from Honduras to Mexico."

The FLA's investigative report in Honduras also noted: "The closure has been determined, at least to a significant extent, by the existence and activity of the union" (the same conclusion reached by the WRC). The timing of the closure is indeed an issue, but the most significant evidence in this regard supports the finding of an anti-union motive: the closure was announced just days after an impasse was reached in contract negotiations with the union, which gave the union the right to force mediation and eventually strike.

We made the painful decision to close this plant due to deteriorating economic conditions that caused a severe global slowdown in the demand for fleece products. We are not alone in facing a decline in business. Approximately 25 different Honduran factories closed in the last year, including many apparel manufacturers. Furthermore, JDH was our only facility with a lease that permitted us to vacate immediately. The choice was that black and white, and an independent investigation commissioned by the FLA found that basing our decision on the lease saved the company \$2 million, enabling us to protect jobs in our other plants. It's also important to note the decline in the apparel market forced us

to announce the closure of seven other company facilities in the U.S. and Central America, all of which were non-union.

Every party to this case acknowledges that there may have been economic reasons for Russell to cut production in Honduras. However, there is overwhelming evidence, documented by the WRC and the FLA, that hostility toward workers' exercise of their associational rights was a significant factor behind the closure decision at JDH. This is the case whether or not there was *also* an economic motive. One motive does not preclude the other – a point strongly emphasized by Adrian Goldin in his inquiry for the FLA.

Our company has earned a reputation as a good place to work in Honduras and elsewhere around the world. In Central America, 1,821 employees, including 521 in Honduras, have worked with us for 10 years or longer. People remain loyal to a company that treats them fairly. We are still the largest single employer in Honduras, have positive employee morale and we maintain a very strong relationship with the Honduran government.

Russell is not a credible source on the question of employee morale or the views of workers. There is, in fact, enormous anger among JDH workers over Russell's labor practices. Moreover, labor rights organizations in Honduras – and the country's labor movement, which represents workers and can speak credibly on their behalf – consider Russell to be a serial violator of worker rights and a destructive example for other Honduran employers.

Workers in Honduras want to work and want to earn a living. They work at apparel factories, including factories that violate workers' rights like JDH, because there are few alternatives. The fact that workers chose to stay at JDH – and the fact that workers are protesting the factory's closure – is proof that workers in Honduras need jobs. It is not proof that Russell is a good employer.

This statement by Russell also gives rise to some questions: If Russell "treats [employees] fairly," why did the company illegally fire 145 workers at JDH and Jerzees Choloma in 2007, merely because they tried to exercise their basic rights – as the company has effectively admitted? And why did Russell's managers and supervisors harass, threaten and intimidate workers month after month in 2008 because they continued to try to exercise those rights – as documented by the WRC and corroborated by the FLA? Also, if Russell prides itself on its good relationship with the Honduran government, why did the company repeatedly refuse to allow government labor inspectors into the factory to investigate worker complaints – actions also documented by the WRC and subsequently the FLA?

The misinformation campaign which has been launched against us...

One of the problems the university community has faced in trying to address Russell's violations is the company's ever-changing version of events. In October, Russell insisted that "No member of [JDH] plant management ever made any threatening remarks regarding the union." Russell further stated: "We deny any claim of ongoing hostility by plant management to workers' freedom of association" (letter from Rick Medlin, 10/16/08). By February, however, Russell had a different position. In its February 16 communication to universities (also from Rick Medlin), Russell acknowledged that "management mistakes were made that led to a failure to adhere to FLA standards on freedom of association," and that "management failures" occurred. Now, the first week of March, we see another letter from Russell in which the company appears to be switching back to its October version of events. The letter contains not a single acknowledgment of any mistakes by management and insists that the company's problems are the product of a "misinformation campaign" and that JDH was a model factory.

The unfortunate reality of this case is that universities have indeed received substantial misinformation – from Russell. From the fall of 2007, when the company claimed that the 145 trade unionists it fired were terminated solely for economic reasons (a misrepresentation the company later

admitted); through October of 2008, when Russell categorically denied that any violations of workers' associational rights had occurred at JDH; through last month, when Russell suddenly acknowledged that violations had occurred; through the company's present insistence that the workers of JDH were treated in an exemplary fashion and that negative opinions of Russell's labor practices are a product of misinformation; the company has apparently made whatever statements and claims it deemed convenient at the time, regardless of the facts. Russell's communications have been neither consistent nor truthful.

As to Russell's claim that the company is a victim of misinformation, the company does not offer universities a single specific example of inaccurate information that the monitoring organizations, or any one else, has circulated. In reality, the perception that Russell has a poor record on labor rights, and has been unresponsive to university concerns, is not a product of misinformation. It is a product of the company's actions.

... neglects to mention that our Honduran employees' average take-home pay is more than 25 percent above the country's national minimum. We also provide our people with a range of important benefits and initiatives that help improve both living and working conditions, including medical care, employee health fairs, prenatal care, paid holidays and paid vacations. Especially ironic is the fact that all our plants in Central America are air conditioned, and include cafeterias offering healthy lifestyle menus. These are not the "sweatshop" conditions that certain advocacy groups irresponsibly claim exist at Russell. Some of the people who are making these misleading accusations have never been to Honduras, much less visited one of our plants.

Employers have an obligation to respect workers' rights regardless of the pay and benefits they offer. If Russell provided above average benefits to workers, this would not give Russell the right to violate workers' rights in other areas. However, the point is moot, because the claims Russell makes about exemplary wages and benefits at JDH are false:

-JDH paid workers 854 lempiras a week – the *minimum wage* – for straight-time work, just like other apparel factories in Honduras. And, like at other factories, if workers met certain production targets or worked overtime, they could earn additional money. This pay system – minimum wage, plus productions bonuses and overtime – is the norm in Honduras and throughout the apparel industry and it usually results in average take-home pay that is moderately higher than the legal minimum. There is nothing exemplary about this. And there is no reason to believe that pay at Jerzees de Honduras was any higher than at other factories. Indeed, the WRC took testimony, as part of our ongoing work on this case, from a number of workers who viewed JDH as an undesirable employer because take-home pay was less than workers could get at some other facilities. (It is also important to note that at JDH's sister factory, Jerzees Choloma, where wage policies were reviewed closely by monitors, it was revealed that most workers were routinely working off-the-clock for up to half an hour or more, because of high production quotas – time for which workers were not paid.)

-Russell provided no paid holidays, or paid vacation, at JDH except what is mandated by law. In fact, Russell's vacation policies were a source of great frustration to JDH workers, who were forced to take vacation in August, when it was convenient for management, as opposed to Christmas, when workers wanted to be with their families. The FLA-Goldin report documents management's manipulations and misrepresentations with respect to vacation policy. The WRC repeatedly brought concerns about the vacation issue to Russell's attention, but the problems continued.

-The company provided very little in the way of medical care to JDH workers beyond the care provided by the government health system. Prior to the merger with Fruit of the Loom, JDH did conduct medical fairs, but workers were charged for the exams. Russell discontinued the fairs after the merger and since then has not provided free exams or care of any kind to workers, beyond what is mandated by law and provided by the government. The union proposed free exams in contract

negotiations – over Russell’s objections! Russell ultimately agreed to this proposal from the union, but then closed the factory before a single worker could benefit.

-WRC investigators heard complaints from workers alleging that the food in the cafeteria was of very poor quality and in some cases unsanitary. We did not investigate this issue thoroughly, but reports from workers about events at JDH have proven highly reliable throughout our two years of work on this case, so we consider these reports meaningful.

-Honduran law requires factories of JDH’s size to provide child care facilities. Russell failed to obey this legal requirement. When the union asked in contract negotiations for Russell to come into legal compliance on child care, the company ridiculed the proposal.

In sum, JDH paid no higher than other factories, provided no paid vacation beyond legal minimums, did not provide substantial medical care to workers beyond that provided by law and the government, refused to provide legally-mandated child care, and provided food that many workers considered unsanitary. Russell’s suggestion that JDH was providing pay and benefits far above the norm, and was an exemplary employer, is false.

Russell Athletic already has policies in place that meet or exceed most employer codes of conduct for agreed-upon sound workplace principles. These are outlined on our website, www.russellsocialresponsibility.com/pages/russell_employee_programs.html. We’re reviewing our policies and we’ll provide independent certification of our compliance with this code and the principles it’s based upon.

It is revealing in this regard that until last year, Russell was one of the only major apparel brands in the world whose code of conduct did NOT protect workers’ associational rights. Russell only changed the code after the initial wave of violations of associational rights at JDH and Jerzees Choloma was exposed. Thus, until 2008, Russell had policies in place that not only failed to exceed most employer codes, but fell well short of industry norms.

It must also be noted, with respect to present practices, that a number of the policies and principles Russell cites on its website were regularly violated by the company at JDH and Jerzees Choloma.

In the end, what matters most is not what policies a company proclaims, but what actually happens to the workers who sew its clothes. The WRC and the FLA have both reported extensively on the violations of workers’ basic rights committed by Russell in Honduras over the last two years. It is this real-world record of labor rights abuses that matters.

In the meantime, we hope you have found these facts about the way our company does business to be useful. If you have any additional questions, please allow us the opportunity to meet with you and provide you the full story of how we treat our people, their benefits and their work environment.

We value and appreciate your business.

Sincerely,

Russell Athletic

678-742-8000

For information on this document, contact the Worker Rights Consortium: www.workersrights.org