



FINAL REPORT
FACT FINDING INDEPENDENT INVESTIGATION
HONDURAS – OCTOBER 1ST 2007

I. Introduction

The Fair Labor Association (FLA) commissioned ALGI to perform an independent investigation of Jerzees de Choloma, a Russell facility – a subsidiary of Fruit of the Loom. The FLA requested that ALGI investigate the following allegations:

1. **Forced Labor:** Facility requires that workers perform mandatory overtime (OT) as a mandatory aspect of employment, and imposing penalties for failure to work overtime,
2. **Harassment & Abuse:** Verbal abuse by 2 supervisors,
3. **Discrimination:** Discrimination against an employee on the basis of pregnancy,
4. **Occupational Health & Safety:** Failure to provide adequate and hygienic restrooms,
5. **FOA:** Factory management responses to efforts by workers to organize a union by firing union leaders and supporters massively and threatening to close the factory if workers persisted in efforts to organize a union.
6. **Wages & Benefits:** Failure to provide benefits of educational bonus and late payments of wages.

Jerzees de Choloma is located in an industrial park, “ZIP CHOLOMA”, approximately 15 kilometers from San Pedro Sula. This industrial park holds approximately 17 domestic and international firms dedicated to the manufacturing of garments for export to the United States. The Industrial Park maintains a gate guarded by at least 8 armed security personnel; no one is allowed to enter the park without prior authorization from the facilities’ management.

The assessment took place on October 1st, 2nd and 3rd, 2007 and was conducted by Mr. Angelo Valdevitt and Mr. Luis Salas, ALGI auditors. All verbal communication was in Spanish, the official local language. An opening meeting took place on October 1st, 2006 at 1:00pm. Present at the meeting were Mr. Werner Oberholzer, General Manager, Mr. Ricardo Trujillo, Director for International Human Resources, Mr. Jose Fernandez, Plant Manager and the ALGI monitoring team.

II. Scope and Methodology

Prior to, and during the assessment, monitors gathered and reviewed web site information related to any and all allegations made by the Confederation General de Trabajadores (CGT) against Jerzees de Choloma.

In order to gather information from all parties involved, the monitors met with two different groups of stakeholders: Jerzees de Choloma Management and the Confederación General de Trabajadores (CGT).

Extensive review of documentation and confidential interviews were conducted in order to verify if the aforementioned allegations are true.

The monitoring team reviewed the following:

1. Jerzees de Choloma's policies and practices regarding Freedom of Association, Discrimination, Harassment or Abuse, Health and Safety and others.
2. Workers and supervisors training records.
3. Application, hiring and termination procedures and documentation.
4. Disciplinary procedures and practices.
5. Personal files to check termination procedures and to try and determine discrimination patterns, if any, including:
 - a. Random selection of files belonging to employees who had been fired or had resigned during the period October 1st 2006 to October 1st 2007 (12 months).
 - b. Files specifically belonging to workers that had been terminated or had voluntarily resigned during the period June and July 2007.
6. Payroll records covering time periods such as last payroll paid, vacation, holiday, high season, and 13th month payment (Aguinaldo)
7. Social insurance reporting and payments.
8. Withholdings and payments related to government entities (tax and social insurance).

The monitoring team conducted the following interviews:

1. **Mr. Werner Oberholzer**, General Manager, was interviewed in order to hear his explanation regarding the above mentioned allegations including management's reasoning and procedures followed in the process to close Jerzees de Choloma.

2. **Ms. Nadia Morales**, Human Resources Manager, was interviewed to determine how Jerzees de Choloma human resource department operates, specifically regarding hiring and termination procedures.
3. **Mrs. Jessy Martinez**, Health and Safety Coordinator explained the policies and procedures regarding H & S.
4. **Mrs. Evangelina Argueta**, a delegate of the **Central General de Trabajadores CGT**), was interviewed and a briefing was provided regarding the allegations presented against facility. The meeting took place on October 3rd, at the central office of the CGT; various issues were discussed including explanations on events that resulted in the terminations of employees by Jerzees de Choloma because of union affiliations. Mrs. Argueta furnished official documents related to the formation of the union and a list of the affiliates.
5. **Employees:** 65 employees chosen at random were interviewed on-site to gather information related to all the allegations made, specifically to facility's attitude towards unions and workers' understanding of their rights regarding Freedom of Association. (See summary of interviews attached).

III. Findings

***Allegation No 1 - Forced Labor:** Facility requires that workers perform overtime (OT) as a mandatory aspect of employment, and imposes penalties for failure to work overtime.*

Monitor observations – Allegation Unfounded:

Monitors did not detect any activities or procedures confirming allegations that Jerzees de Choloma requires workers to perform OT imposing penalties to those who fail to do it.

Jerzees of Choloma maintains a clearly defined written policy on Forced Labor which is communicated to workers during induction and posted on bulletin boards. Practices clearly show that management follows procedures and has a written request form to ensure OT is voluntary.

Out of the 65 interviewees, more than 95% stated that OT was in effect voluntary and that they could refuse it with no consequences. Less than 5% of workers stated that occasionally and due to urgent business needs, the facility “asked them” to perform OT to meet production demands.

Monitors retained a copy of an OT request form used by supervisors. Form registers the name of the employee, the date for requested OT and signatures. It was observed that approximately 10% of the employees who had signed the form, had later changed their

mind and not participated in overtime work. Interviewees declared that they had not suffered reprimands for refusing and not showing up on that date.

Allegation No 2 - Harassment & Abuse: Verbal abuse by supervisors (Supervisor 1 & Supervisor 2).

Monitor observations – Allegation Corroborated:

Jerzees of Choloma maintains a written open door policy that clearly defines the procedures to report any type of abuse behavior by workers or supervisors. Interviews regarding other supervisors did not reveal that facility in question in general engages I any type of sexual, physical, or verbal abuse.

To evaluate allegations made against **Supervisor 1** for abusive behavior while performing her supervisory duties, monitors carried out selected interviews and reviewed her personal file:

Monitors selected 5 employees from Section 3150, where Supervisor 1 worked from January 2007 to June 2007, and 4 employees from her present supervisory position on Module 3000. The 5 employees from her prior supervisory section stated that she was verbally abusive, screamed at workers and threatened that she would recommend workers to be terminated. The 4 employees from her present cell could not provide an input on her supervisory behavior because according to them, she does not directly supervise their work.

Monitors did not find any disciplinary actions against Supervisor 1 in her personal file which contained evidence that she has attended various trainings such as (Harassment at the work place – July 2007, Mental Hygiene - July 2007, Effective Disciplinary Action - June 2007, Emotional Intelligence - May 2007, Solution of Conflicts - April 2007). Monitors also observed an internal evaluation of her performance dated July 2007 where she received a grading of 3.5 (score ranges from 1 to 5, being 5 the highest score).

To evaluate allegations made against Supervisor 2 for abusive behavior while performing her supervisory responsibilities, monitors performed selected interviews and reviewed her personnel file:

Monitors selected 5 employees who, without hesitation, complained that she was verbally abusive, specifically when she demanded workers to increase production output and quality improvement. Employees from other sections have also seen her verbally mistreat employees. Monitors did not find any disciplinary actions against her in her personal file which contained evidence that Supervisor 2 had attended various trainings such as (Effective Discipline – May 2007, Conflict Resolution – April 2007 and Emotional

Intelligence – May 2007). Furthermore, there is an internal evaluation of her performance that took place on May 2007 when she received a grading of 3.75.

Although no evidence was gathered from their personal files, it is clear to monitors that employees feel that Supervisor 1 did verbally abuse workers in the past and that Supervisor 2 did and does have this kind of behavior.

Allegation No 3 - Discrimination: Against an employee on the basis of pregnancy.

Monitor observations – Allegation Unfounded:

In regards to allegations made against Jerzees of Choloma for discriminatory practices against pregnant employees, monitors carried out interviews and reviewed facility's policies/procedures and personnel files of pregnant employees. Monitors' opinion is that facility does not discriminate against pregnant women.

Monitors reviewed personnel files from employees who had become pregnant during employment. These files revealed that employees received all legally mandated benefits, including pre-natal, post-natal, and breastfeeding time off. There was no indication in files reviewed of any reductions in wages or benefits or of any type of discriminatory practices.

Monitors also interviewed 5 pregnant employees. They did not have any complaints against the facility or supervisors. They have been maintained in their positions and one of them has been moved from a standing job to a sitting position without reduction in wages.

Allegation No 4 - Occupational Health & Safety: Failure to provide adequate and hygienic restrooms.

Monitor observations – Allegation Corroborated:

Jerzees of Choloma is, in general, well kept, clean, organized, spacious, with clear identifications of fire extinguishers, evacuation guides, etc.

Monitors based their evaluation of allegations of unsanitary restrooms, on employees' interviews, reviews of facilities policies and procedures, housekeeping schedules and visual inspection:

It was confirmed that facility maintains a crew of employees dedicated to cleaning work

areas, cafeteria and restrooms. The crew monitors and cleans the restroom on a need basis. Although there is a procedure in place, interviews and visual inspection by monitors confirmed that the restrooms should be inspected and cleaned more frequently. Interviewees claimed trash cans are continuously full and that there are unpleasant odors most of the time. Monitors confirmed this to be true in one of their several inspections of the restrooms.

***Allegation No 5a - FOA:** Factory management responds to efforts by workers to organize a union by firing union leaders and supporters en masse and threatening to close the factory if workers persisted in efforts to organize a union.*

Monitor observations – Allegation Corroborated:

After intensive evaluation of Jerzees de Choloma’s policies regarding Freedom of Association, measuring responses from active employees in regards to facility’s attitude towards FOA and reviewing the list of terminated employees during specific time periods, monitors conclude that Jerzees of Choloma Human Resource Department has terminated employees involved in the organization of a union.

On October 3rd 2007, monitors met with Mrs. Evangelina Argueta, a delegate of the Central General de Trabajadores (CGT). In the meeting, Mrs. Argueta described several instances of retaliation against workers by Jerzees de Choloma since the first attempts to form a union in March 2007 and expressed that facility continues to ignore and violate employees’ right to organize themselves. Mrs. Argueta provided monitors with documentation to supports her allegations. Monitors could not meet with terminated workers because it would have been necessary to coordinate this in advance with Mrs. Argueta, especially since some of them have moved to other towns or are working in other facilities.

The documentation and allegations made have been evaluated against the events which have occurred at Jerzees of Choloma during the periods in question.

Chronology of events:

- On March 16th, 2007, a group of 72 employees under the guidance and assistance of the union confederation Central General de Trabajadores (CGT) held a constitutional assembly to form a union named “Sindicato de Trabajadores de la Empresa Jerzees Choloma S.A.”¹

¹ **Art. 475:** To be established and continue to exist, a workers’ trade union must have not less then 30 members and an employers’ association not less than five independent employers. At least 90 percent of the members of every trade union organization must be Honduran national.

Mrs. Argueta claimed that earlier during the month of March, there was another attempt to hold a constitutional assembly but, somehow Jerzees of Choloma had found out the names of the employees participating in the process and they were immediately terminated. Mrs. Argueta claimed that this process was not pursued further because in order to form a union at least 30 signatories are required and most had been terminated. Mrs. Argueta did not have the list of founding members or the assembly minutes on hand, but she said she could provide them in the future if needed.

- On March 20th, 2007, a notification of the formation of a union with 72 signatures was officially presented and registered² with Mrs. Vanessa Erazo, representative of the Regional Ministry of Labor (MOL) in San Pedro de Sula, Cortes.

Mrs. Argueta claims that there were 4 separate times (in March, in May and twice in June), when she, a founding member of the union and an inspector of the department of labor attempted to formally notify Jerzees de Choloma management of the union in formation. This action tried to ensure that founding members would be protected by legal statute. As per her allegations, all attempts failed as the security guards at the entrance of the industrial park refused to let them in, stating that Jerzees de Choloma said there was no legal representative available to talk to them.

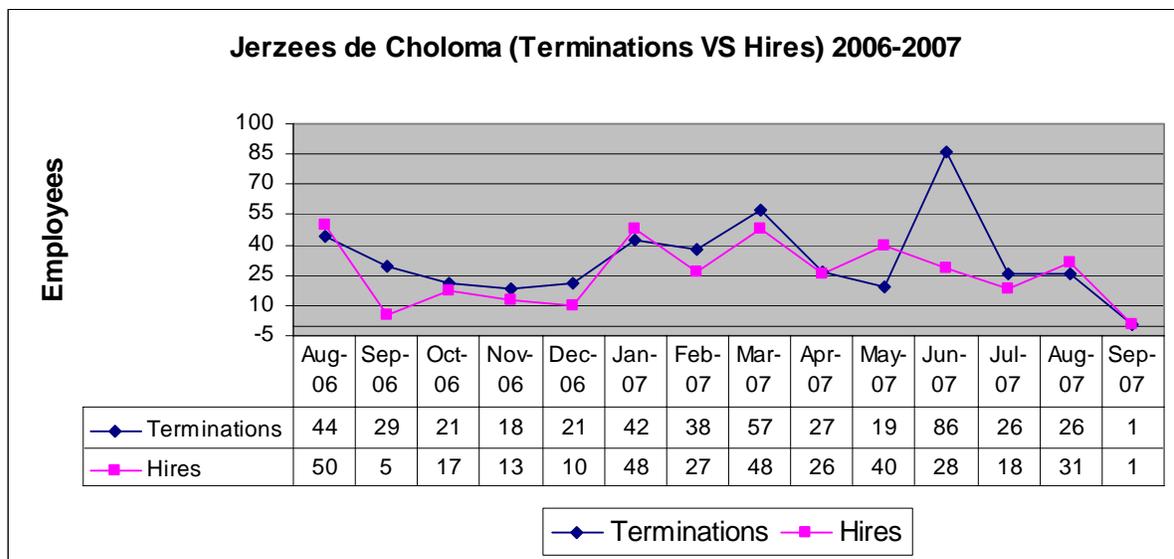
- On June 5th 2007, during the third unsuccessful attempt to present the documentation to the facility, Labor Inspector, Mr. Walter Leonel Zelaya Garcia, recorded the incident and formally presented it to Mrs. Vanessa Frazo, legal representative of the Ministry of Labor (MOL)
- On June 7th 2007, Mrs. Dunia Herrera, Legal Representative from the Ministry of Labor officially recognized the formation of “*Sindicato de Trabajadores de la Empresa Jerzees Choloma S.A.*” and granted legal protection to all employees affiliated to the union.
- On June 7th 2007, Labor Inspector, Mr. Walter Leonel Zelaya Garcia and Mrs. Argueta were allowed beyond the gates but not into the facility premises themselves. Mrs. Loessy Barrera attended this meeting as the Legal Representative of Jerzees de Choloma. Mrs. Barrera was handed the notification of the creation of the union and signed acknowledging the receipt of such document, however, next to her signature she wrote “Signed under protest and my relationship with the facility does not grant me the power to represent them”. Monitor retained a copy of this document.

² **Art. 480:** A trade union organization shall be deemed to be lawfully constituted and to have legal personality as from the date on which it is registered with the Ministry of Labor and Social Welfare.

Regarding this specific document served to Ms. Barrera, Mr. Ricardo Trujillo, International Director of Human Resources for Fruit of the Loom, mentioned during the closing meeting that Ms. Barrera is not an employee of the firm but an independent professional who provides legal services to Jerzees de Choloma, among other companies. Therefore, according to him, there was no legal or formal notification to Jerzees de Choloma of the union in formation and he claimed that the facility had no knowledge of the list of members of the union.

Conclusions:

Jerzees de Choloma is engaged in a reorganization process since the acquisition of Russell by Fruit of the Loom. As a result of this reorganization, there have been changes that required reduction of workforce at several of its facilities in Honduras. Taking this in consideration, monitors analyzed the number of terminations/resignations in the period ranging from August 2006 to August 2007 and made a comparative evaluation with the sequence of events. Results are shown in the graphic below:

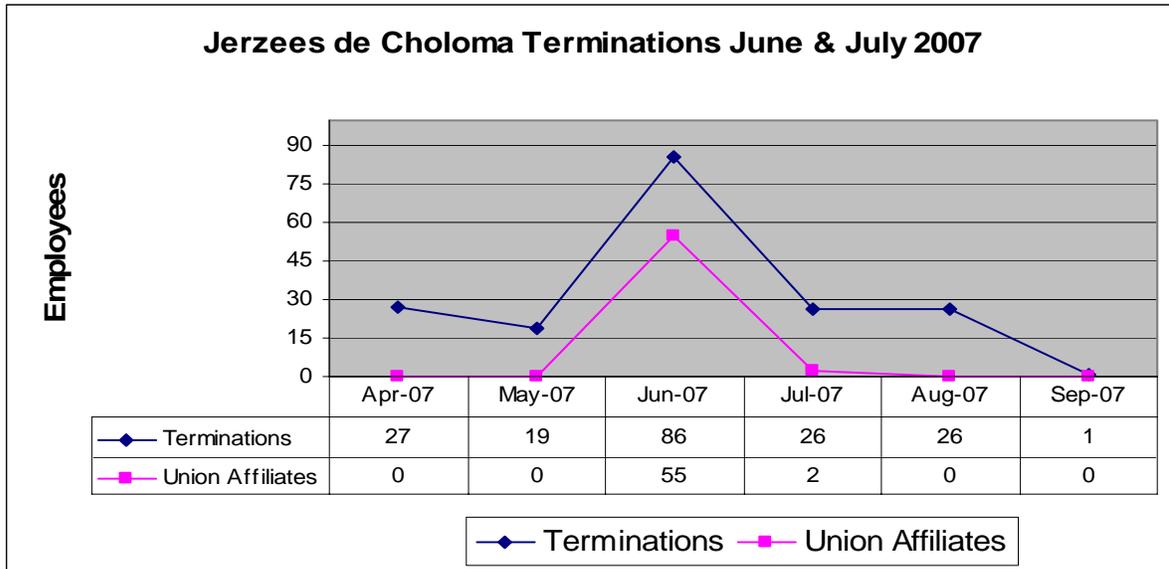


During the 12 months evaluated, the highest number of terminations (voluntary or involuntary) occurred during the months of March³ and June 2007. Allegations and documentation presented to monitor matched those two specific time periods. The chart presented reflects that an unusual situation occurred during these two months. Jerzees de Choloma management responded that the increase of terminated workers was the result of

³ **Note:** Monitors had no access to the list of the founding members of the union for early March 2007, therefore no cross-analysis of workers terminated in that period of time and union members could be performed.

the restructuring process and also that a large number of employees just wanted to resign and receive their cumulative severance payments.

As monitors had access to the list of signatures of union affiliates that was presented to Ms. Barrera on June 5th 2007, a more particular analysis was performed for the events that occurred during the month of June 2007. The chart below demonstrates the cross-analysis of workers terminated or who had resigned, identifying that the vast majority of the union affiliates were terminated on the day that the union in formation notice was served to Ms. Barrera.



In summary:

1. The alleged termination of union founding members mostly during the month of March and June 2007 coincides with the highest number of terminations/resignations that have occurred in Jerzees of Choloma.
2. The alleged highest termination of union founding members during the month of June 2007 coincides with the cross-analysis, identifying that 55 founding members were terminated or resigned starting the day the notice was presented to attorney Ms. Barrera.
3. The overwhelming responses from employee interviews as shown in the Summary of Interviews Chart reflect that at least 85% of workers are convinced that management at Jerzees of Choloma has in the past terminated union sympathizers. Furthermore, employees interviewed are convinced that Jerzees of Choloma will terminate any employee who is identified as union sympathizer. 15 interviewees mentioned that since they know this, if they wish to leave the facility for whatever reason, they will purposely identify themselves as one, just to take advantage and be terminated with

all benefits (Cesantia and Pre-aviso) which are not mandatory payments when employees voluntarily resign.

4. Review of terminated/resignation files for the month of June 2007 showed that almost all employees who resigned did so with a template furnished by the human resource management office. For the terminated employees, there was no written evaluation or detailed information as to why these specific employees had been selected. Facility does not have a written retrenchment policy in place.
5. Regardless of whether Jerzees de Choloma knew or not that the 72 workers fired were members of the “*Sindicato de Trabajadores de la Empresa Jerzees Choloma S.A.*”, according to Art. 517⁴ of the Honduras Labor Code, the dismissal of these individuals was actually illegal since they were protected by the *Fuero Sindical*.
6. Facility induction training does not mention the company position regarding freedom of association.

Monitors conclude that there is direct and circumstantial evidence showing there were activities by the department of human resources which confirm they have engaged in terminating employees who are known to be union sympathizers.

Allegation No 5b - FOA: Closure of facility because of attempts to form a union.

Monitor observations – Allegation Unfounded:

Despite the fact that management informed workers about the future closure of Jerzees of Choloma during the time that allegations of anti-union behavior by facility was occurring, it is the monitor’s opinion that these two situations are totally independent and there is evidence that the closure of Jerzees of Choloma is purely based on the ongoing consolidation process after the merger between Russell Corporation and Fruit of the Loom.

According to Mr. Oberholzer, the decision to close the facility resulted from a shift in product demand and the ongoing consolidation of Fruit of the Loom and Russell Corporation following the acquisition of Russell Corp. by Fruit of the Loom, Inc. in 2006. He further stated that there is a tendency to consolidate small plants (as shown in the chart below) into a larger and combined operation.

⁴ **Art 517:** If a minimum of 30 employees formally notify to their employer in writing of their intention to form a trade union, and transmit such notification to the General Directorate of Labor or to the labor attorney’s section for the area, the persons signing the notification until the date on which the union’s legal personality is recognized, none of the workers concerned may accordingly be dismissed, transferred or prejudiced on his condition of work without lawful cause, which must first be confirmed by the competent authority.

During December 2006, Cross Creek Honduras, a 400 employee plant closed and employees were reassigned to sister plants in the surrounding area.

Fruit of the Loom - Facility Work Force				
		Employment 2007	2006	
Bufalo	Fruit of the Loom	2650		
El Porvenir	Fruit of the Loom	2336		
San Jose	Fruit of the Loom	2584		
Roatan	Fruit of the Loom	1120		
Honduras (JDH)	Russell	1619		
Choloma (JCH)	Russell	876		
Buena Vista (JBV)	Russell	711		
Merendon	Russell	1390		
Cross Creek Honduras	Russell	00	Approx - 400	Closed 12/06
DeSoto	Fruit of the Loom	573		

Mr. Oberholzer forwarded to the monitor a Fruit of the Loom (FOL) & Russell Focus Plant Study dated October 4th 2006 which shows that both Cross Creek Honduras and Jerzees de Choloma were targeted for closure. Although no set dates are mentioned in the report, it clearly defines the intention of closing the facility in the coming future.

Monitors have interviewed employees in respect to the communication given by management in regards to the facility closure. Employees mentioned that they were put into small in groups and met with management in the conference room where they explained the reasons for the closure and told them that if they were not interested in keeping their positions, Fruit of the Loom would work with them to ensure they received all legally mandated benefits and to help them identify potential job opportunities at other company facilities located in nearby industrial parks. The date for closure has been moved from the end of the year 2007 to March 2008.

Allegation No 6a - Wages & Benefits: Failure to provide benefits of educational bonus

Monitor observations – Allegation Unfounded:

Although Jerzees of Choloma offers training programs to workers, they need to be properly communicated since interviews conducted reflect that most employees are not

aware of such programs. See interviews chart.

To evaluate allegations made against Jerzees of Choloma for failing to provide technical or professional training to its employees or relatives of employees, monitors reviewed facility practices and activities related to off-site training to enhance employees' technical and professional expertise and interviewed management.

The chart below identifies some of the off-site training provided and paid for by facility:

Sample of Offsite Educational Training				
Employee	Topic	Provider	Duration	Date
Employee 1 (Assistant HR)	Lean Manufacturing	RLA	2 days	Aug 06
Employee 2 (Logistics)	Lean Manufacturing	RLA	2 days	Aug 06
Employee 3 (Mechanic)	Mechanical Technician	FOLTC-HN	36 hours	May 07
Employee 4 (Chief Engineer)	BLACK BELT (Quality engineering)	Goody Green	44 hours	May 07
Employee 5 (Mechanic)	Mechanical Technician	FOLTC-HN	36 hours	August 07
Employee 6 (Line Engineer)	AUTO CAD	EDU Systems	6 weeks	Ongoing

Allegation No 6b - Wages & Benefits: late payments of wages.

Monitor observations – Allegation Unfounded:

Monitors' opinion is that facility does not engage in systemic late payments. No intent of violating wage payment was confirmed. More than 92% of employees interviewed did not have any issues regarding late payments. The other 7% mentioned that on rare occasions, wages have been deposited late into their bank account a day late.

Regarding allegations that Jerzees de Choloma failed to pay wages on time, monitors interviewed employees, reviewed payroll ledgers and spoke with facility human resource manager and payroll record keeping personnel.

Payroll at Jerzees of Choloma has two systems:

- a. **Weekly: for production employees** whose computation is based on a piece

rate. For these employees, wages are paid at the end of the work week (Fridays)

- b. **Bi-monthly: for administrative and supervisory employees** who are considered salaried. Wages are paid on the 14th and 28th of each month.

Under both systems, the facility occasionally performs overtime work on days after the closure of the work period, such as Saturdays. In other occasions, the second bi-monthly payment which is on the 28th, the facility may perform overtime work on the 20th or 30th which is also after the closure of the pay period. As a result, wages are paid a day late. As per management, this happens but on very rare occasions.

IV. Additional Findings

During the investigation and revision of documents and interviews, monitor made observations related to other benchmarks (See list of additional findings attached)

A closing meeting was convened on October 3rd, 2007. Representing Jerzees de Choloma were Mr. Werner Oberholzer, General Manager, Mr. Ricardo Trujillo, Director for International Human Resource, Mr. Jose Fernandez, Plant Manager, Ms. Nadia Morales, Human Resources Manager and representing ALGI were Mr. Angelo Valdevitt and Mr. Luis Salas. Monitors provided Jerzees de Choloma attendees with comments on the results of the verification. Each finding was reviewed in reference to the evidence found as detailed above.

V. Recommendations:

1) Freedom of Association

Rehiring: Jerzees de Choloma should consider giving the opportunity to the 70 workers members of the union in formation to be reinstated in their jobs regardless of whether they have accepted their severance pay. Those workers who accept should be reinstated to their original positions, with no loss of seniority and should receive full back pay to the date they were terminated.

Policy Communication: Jerzees de Choloma should improve its Freedom Association policies so as to prevent further or future criticism or accusations of not respecting workers rights. The improvement should include posting of clear policies regarding FOA and training of all workers on this benchmark during induction process.

Recognition of existing union: Facility should recognize the union formed by workers on March 16th.

Hiring procedures: Jerzees de Choloma should eliminate the question that asks if the employee has been a member of any type of association or social organization from the interview form.

2) Closure of facility

Retrenchment policy.

The retrenchment policy shall establish procedures so that the termination of workers is done in a fair and non-discriminatory process. The decisions will be made based solely on seniority, skills & abilities and production needs. Employees will have the opportunity to appeal and bring about any concerns to management. This policy shall be communicated to workers and especially to personnel responsible for the termination process.

Preaviso: All workers shall be pre-notified about their termination following Honduran labor code Article 116 (Preaviso), which states that if a corporation ceases doing business it must give the employees, advanced notice of the closing date. The notice ranges from 24 hours to 2 months depending on seniority:

During the “preaviso”, the employee shall be entitled to have a compensated day off per week to search for a new position. Additionally, if Fruit of the Loom can not provide employment to the worker during the “preaviso” period, he/she must fully compensate for the remaining preaviso entitlement. This notification must be made in the presence of an official from the Ministry of Labor.

Severance payment: As required in the Honduras labor regulation Articles 111, 101, 102, 116, upon termination of employment, the employer is obligated to compensate the workers. These compensations depend on seniority and include accumulated adjustment to be paid for other benefits (Aguinaldo, 13th and 14th months of salary, vacation, maternity leaves, etc).

Submitted October 8th 2007
Angelo Valdevitt
ALGI

ATTACHMENT 1

ALGI selected 65 out of the approximately 800 employees. Interviews were conducted in the cafeteria, away from the presence of management. All interviewees were informed of the confidential nature of the interviews and that they could not be targeted or punished for speaking to the monitors. The selection of interviews was structured to be gender based and workers from different production areas were selected (sewing, finishing, newly hired, pregnant, etc.) to ensure a fair representation of the work force. The questions were specifically related to the allegations made.

Summary of Onsite Interviews				
Benchmark	Total interviewed	Confirms violation of this benchmark	No comments	Percentage confirming violations
Forced Labor (Forced OT)	65	3	62	4 %
Harassment & Abuse (Supervisors 1 & 2)	15	9	6	60%
Discrimination (pregnant employee)	10	0	10	0 %
Health and Safety (Restrooms)	65	25	40	38%
Freedom of Association (Facility anti-union behavior)	65	55	10 ⁵	85%
Wages and Hours (Tech. training to employees)	65	60 ⁶	5	92%
Wages and Hours (Late wage payments)	65	5	60	7%

⁵ The ten employees who had no comments on questions related to FOA were newly hired workers who had no knowledge of facility's behavior towards unions or union sympathizers.

⁶ Employees responded they were not aware of the existence of this type of benefit.

ATTACHMENT 2

Additional Findings related to FLA Benchmarks

- **Code Awareness:**
 - a. It was observed in personnel files reviewed that facility has an induction training that takes place after the hiring process which involves communication regarding Benefits, Hours & Wages, Open Door Policy, Harassment & Abuse, Forced Labor, Breastfeeding and Discrimination, but there is no communication about Freedom of Association listed. Interviews of newly hired employees confirmed that the topic of FOA was never mentioned.

- **Discrimination:**
 - a. Jerzees of Choloma does not have a written retrenchment policy. As per management present procedure, the selection of workers to be retrenched is done on a need basis.
 - b. Jerzees of Choloma disciplinary procedures and form do not allow employees to express their opinion or to challenge supervisory decision or conclusions.
 - c. In the interview form, there is a question that asks if the employee has been a member of any type of association or social organization.
 - d. A review of 110 personnel files from workers that had been terminated/dismissed in the past 12 months, specifically for the months of June and July 2007, revealed the following:
 - All resignations in the files were presented by workers in template provided by management where employees had simply added their name and signature. There are no handwritten or typed letters from employees on file.
 - At least 1 file identified as *terminated employee*, did not have a history or reason explaining why he was selected for drug testing. As per management, he was suspected of using drugs and a test was performed. Although the test came positive and employee was terminated following zero tolerance policy on drug use, employee file did not have written history explaining why he was suspected of narcotics use.

- **Occupational Health & Safety:**

- a. Although it was supplied by facility, monitors observed that at least 2 employees at the designated stain remover station were not wearing required PPE (gloves and mask).
- b. During the first day of the visit, while employees were not working, monitors observed a large container of stain removing agent, left at the work station. The mentioned tank should be stored in the designated chemical storage room.
- c. The exit door of the secondary means of egress in the cafeteria does not open outwards.
- d. Information posted in the work area related to rotation and attendance was in English, not the language spoken by workers (Spanish).

- **Wages & Benefits:**

- a. Facility does not maintain a verifiable time record system. Supervisors provide human resource office a list of total hours worked during the day. There are no registered times of entry or departure. Monitors observed that facility is in the process of implementing an electronic time keeping system.
- b. 90% of the piece workers interviewed confirmed that production goals set by management are too high and in order to achieve a bonus which is based on production and quality, they work voluntarily 10 to 20 minutes before 7am (time their work-shift starts) and during part of their lunch-time. During the third day of the visit, monitor observed that employees in effect start to work earlier than the official starting time as informed by the interviews. These times are not used for computation of time worked, which is a violation of Art. 323⁷ and Art. 330⁸.
- c. Review of piece rate - payroll records revealed that overtime payment for work on Saturdays is not based on the average rate earned during the week, but on the average earned on that day (Saturday).⁹
- d. When there are times off during the working hours as a result of, for example, lack of raw material or machine break down, facility's policy and practice is to compensate employees for the time off with an average that is higher than the

⁷ Art. 323: The expression "actual working time" means any time during which the worker remains at the employer's control/orders or cannot leave his place of work during his breaks for rest or meals.

⁸ Art 330: Any actual work that is performed outside the limits of normal hours of work (regular shift), or that exceeds any time from the hours of work agreed between the parties shall be deemed to be overtime and shall be remunerated at the percentages regulated by law

⁹ The labor code of Honduras does not contemplate or regulate piece rate work and / or payment structure. The spirit of piece work is to encourage employees to increase their efficiency and as a consequence the base rate of the piece worker increases. International labor codes that regulate piece work operations, increment the overtime additional value, to the average hourly rate earned as a piece worker.

minimum wage, but which could be lower than the average already earned by the employee. This creates an underpayment of wages which violates Art 95.2¹⁰.

- **Hours of work:**

- a. Review of total hours of work sheet per week revealed that the maintenance department and support staff have in occasions exceeded the Honduran legal limitations of overtime (no more than 4 times in a week for same employee) and the FLA 60 hour limits. This, according to facility, has occurred as a result of changes made in production design and styles shifting. A violation of Art 333.¹¹
- b. As per interviews, during the last 12 months, employees in the maintenance department have worked 5 Sundays (days off) without having a subsequent day off. A violation of Art 338¹².

¹⁰ Art. 95.2: In addition to other obligations of employer under this labor code, every employer shall pay the worker the remuneration corresponding to any time for which he/she has not worked for reasons attributable to the employer.

¹¹ Art 333: Overtime shall not be permitted in the case of work that is by nature dangerous or unhealthy; nor shall an employer allow a given worker to work overtime more than four times a week.

¹² Art 338: Every worker shall be granted one day's rest, which shall preferably be Sunday, for every six day/s work.