

Title:**A factory defies stereotypes, but can it thrive?****Author(s):**[Steven Greenhouse](#)**Source:**[The New York Times](#). (July 18, 2010): Business News: p1(L).**Document Type:**

Article

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VILLA ALTAGRACIA, Dominican Republic

SITTING in her tiny living room here, Santa Castillo beams about the new house that she and her husband are building directly behind the wooden shack where they now live.

The new home will be four times bigger, with two bedrooms and an indoor bathroom; the couple and their three children now share a windowless bedroom and rely on an outhouse two doors away.

Ms. Castillo had long dreamed of a bigger, sturdier house, but three months ago something happened that finally made it possible: she landed a job at one of the world's most unusual garment **factories**. Industry experts say it is a pioneer in the developing world because it pays a "living wage" -- in this case, three times the average pay of the country's **apparel** workers -- and allows workers to join a union without a fight.

"We never had the opportunity to make wages like this before," says Ms. Castillo, a soft-spoken woman who earns \$500 a month. "I feel blessed."

The **factory** is a high-minded experiment, a response to appeals from myriad university officials and student activists that the garment industry stop using poverty-wage sweatshops. It has 120 employees and is owned by Knights **Apparel**, a privately held company based in Spartanburg, S.C., that is the leading supplier of college-logo **apparel** to American universities, according to the Collegiate Licensing Company.

For Knights, the **factory** is a risky proposition, even though it already has orders to make T-shirts and sweatshirts for bookstores at 400 American universities. The question is whether students, alumni and sports fans will be willing to pay \$18 for the factory's T-shirts -- the same as premium brands like Nike and Adidas -- to sustain the plant and its generous wages.

Joseph Bozich, the C.E.O. of Knights, is optimistic. "We're hoping to prove that doing good can be good business, that they're not mutually exclusive," he says.

Not everyone is so confident. "It's a noble effort, but it is an experiment," says Andrew Jassin, an industry consultant who says "fair labor" garments face a limited market unless deft promotion can snare consumers' attention -- and conscience. "There are consumers who really care and will buy this **apparel** at a premium price," he says, "and then there are those who say they care, but then just want value."

Mr. Bozich says the plant's T-shirts and sweats should command a premium because the company uses high-quality fabric, design and printing.

In the factory's previous incarnation, a Korean-owned company, BJ&B, made baseball caps for Nike and Reebok before shutting it in 2007 and moving the operation to lower-wage countries. Today, the reborn **factory** is producing under a new label, Alta Gracia, named after this poverty-ridden town as well as the Virgin of Altigracia, revered as protector of the Dominicans. (Alta gracia translates to "exalted grace.")

"This sometimes seems too good to be true," says Jim Wilkerson, Duke University's director of licensing and a leader of American universities' fair-labor movement.

He said a few other **apparel** companies have tried to improve working conditions, like School House, which was founded by a 25-year-old Duke graduate and uses a **factory** in Sri Lanka. Worker advocates applaud these efforts, but many say Alta Gracia has gone further than others by embracing higher wages and unionization. A living wage is generally defined as the amount of money needed to adequately feed and shelter a family.

"What really counts is not what happens with this **factory** over the next six months," Mr. Wilkerson says. "It's what happens six years or 10 years from now. We want badly for this to live on."

Santa Castillo agrees. She and many co-workers toiled at other **factories** for the minimum wage, currently \$147 a month in this country's free-trade zones, where most **apparel** factories are located. That amount, worker after worker lamented in interviews for this article, falls woefully short of supporting a family.

The Alta Gracia **factory** has pledged to pay employees nearly three and a half times the prevailing minimum wage, based on a study done by a workers' rights group that calculated the living costs for a family of four in the Dominican Republic.

While some critics view the living wage as do-gooder mumbo-jumbo, Ms. Castillo views it as a godsend. In her years earning the minimum wage, she said she felt stuck on a treadmill -- never able to advance, often borrowing to buy necessities.

"A lot of times there was only enough for my kids, and I'd go to bed hungry," she says. "But now I have money to buy meat, oatmeal and milk."

With higher wages, she says, her family can move up in the world. She is now able to borrow \$1,000 to begin building her future home and feels able to fulfill her dreams of becoming a minister at her local evangelical church.

"I hope God will continue to bless the people who brought this **factory** to our community," she says.

IN many ways, the **factory** owes its existence to an incident a decade ago, when Joe Bozich was attending his son's high school basketball game. His vision suddenly became blurred, and he could hardly make out his son on the court. A day later, he couldn't read.

A doctor told him the only thing that would cause his vision to deteriorate so rapidly was a brain tumor.

So he went in for an M.R.I. "My doctor said, 'The good news is you don't have a brain tumor, but the bad news is you have multiple sclerosis,'" he says.

For three days, he couldn't see. He worried that he would be relegated to a wheelchair and ventilator and wouldn't be able to support his family. At the same time, a close friend and his brother died, and then one of his children began suffering from anxiety.

"I thought of people who were going through the same thing as my child and me," Mr. Bozich recalls. "Fortunately, we had the resources for

medical help, and I thought of all the families that didn't."

"I started thinking that I wanted to do something more important with my business than worry just about winning market share," he adds. "That seemed kind of empty after what I've been through. I wanted to find a way to use my business to impact people that it touched on a daily basis."

He regained his full vision after three weeks and says he hasn't suffered any further attacks. Shortly after Mr. Bozich recovered, Knights **Apparel** set up a charity, weKAre, that supports a home for orphans and abused children. But he says he wanted to do more.

A national collegiate bodybuilding champion at Vanderbilt, Mr. Bozich was hired by Gold's Gym after graduation and later founded a unit in the company that sold Gold's **apparel** to outside retailers. Building on that experience, Mr. Bozich started Knights **Apparel** in 2000.

Still solidly built at 47, he has made **apparel** deals with scores of universities, enabling Knights to surpass Nike as the No. 1 college supplier. Under Mr. Bozich, Knights cooperates closely with the Worker Rights Consortium, a group of 186 universities that press **factories** making college-logo **apparel** to treat workers fairly.

Scott Nova, the consortium's executive director, says Mr. Bozich seems far more committed than most other **apparel** executives to stamping out abuses -- like failure to pay for overtime work. Knights contracts with 30 **factories** worldwide. At a meeting that the two men had in 2005 to address problems at a Philippines **factory**, Mr. Bozich floated the idea of opening a model **factory**.

Mr. Nova loved the idea. He was frustrated that most **apparel factories** worldwide still paid the minimum wage or only a fraction above -- rarely enough to lift families out of poverty. (Minimum wages are 15 cents an hour in Bangladesh and around 85 cents in the Dominican Republic and many cities in China -- the Alta Gracia **factory** pays \$2.83 an hour.)

Mr. Bozich first considered opening a **factory** in Haiti, but was dissuaded by the country's poor infrastructure. Mr. Nova urged him to consider this depressed community, hoping that he would employ some of the 1,200 people thrown out of work when the Korean-owned cap**factory** closed.

Mr. Bozich turned to a longtime industry executive, Donnie Hodge, a former executive with J. P. Stevens, Milliken and Gerber Childrenswear. Overseeing a \$500,000 renovation of the **factory**, Mr. Hodge, now president of Knights, called for bright lighting, five sewing lines and pricey ergonomic chairs, which many seamstresses thought were for the managers.

"We could have given the community a check for \$25,000 or \$50,000 a year and felt good about that," Mr. Hodge said. "But we wanted to make this a sustainable thing."

The factory's biggest hurdle is self-imposed: how to compete with other **apparel** makers when its wages are so much higher.

Mr. Bozich says the factory's cost will be \$4.80 a T-shirt, 80 cents or 20 percent more than if it paid minimum wage. Knights will absorb a lower-than-usual profit margin, he said, without asking retailers to pay more at wholesale.

"Obviously we'll have a higher cost," Mr. Bozich said. "But we're pricing the product such that we're not asking the retailer or the consumer to sacrifice in order to support it."

Knights plans to sell the T's for \$8 wholesale, with most retailers marking them up to \$18.

"We think it's priced right and has a tremendous message, and it's going to be marketed like crazy," says Joel Friedman, vice president of general merchandise at Barnes & Noble College Booksellers. He says Barnes & Noble will at first have smaller-than-usual profit margins on the garments because it will spend heavily to promote them, through a Web campaign, large signs in its stores and other methods.

It helps to have many universities backing the project. Duke alone placed a \$250,000 order and will run full-page ads in the campus newspaper, put postcards in student mailboxes and hang promotional signs on light poles. Barnes & Noble plans to have Alta Gracia's T's and sweats at bookstores on 180 campuses by September and at 350 this winter, while Follett, the other giant college bookstore operator, plans to sell the T's on 85 campuses this fall.

Still, this new, unknown brand could face problems being sold alongside Nike and Adidas gear. "They have to brand this well -- simply, clearly and elegantly -- so college students can understand it very fast," says Kellie A. McElhaney, a professor of corporate social responsibility at the University of California, Berkeley. "A lot of college students would much rather pay for a brand that shows workers are treated well."

Nike and Adidas officials said their companies have sought to improve workers' welfare through increased wages and by belonging to the Fair Labor Association, a monitoring group that seeks to end sweatshop conditions. A Nike spokesman said his company would "watch with interest" the Knights initiative.

To promote its gear, Knights is preparing a video to be shown at bookstores and a Web documentary, both highlighting the improvements in workers' lives. The T-shirts will have hanging tags with pictures of Alta Gracia employees and the message "Your purchase will change our lives." The tags will also contain an endorsement from the Worker Rights Consortium, which has never before backed a brand.

In a highly unusual move, United Students Against Sweatshops, a nationwide college group that often lambastes **apparel factories**, plans to distribute fliers at college bookstores urging freshmen to buy the Alta Gracia shirts.

"We're going to do everything we can to promote this," says Casey Sweeney, a leader of the group at Cornell. "It's incredible that I can wear a Cornell hoodie knowing the workers who made it are being paid well and being respected."

ONE such worker is Maritza Vargas. When BJ&B ran the **factory**, she was a stand-up-for-your-rights firebrand fighting for 20 union supporters who had been fired.

Student groups and the Worker Rights Consortium pressed Nike and other companies that used the **factory** to push BJ&B to recognize the union and rehire the fired workers. BJ&B relented. Today, Ms. Vargas is president of the union at the new plant and sings a very different tune. In interviews, she and other union leaders praised the Alta Gracia **factory** and said they would do their utmost to make it succeed and grow. Mireya Perez said the living wage would enable her to send her 16-year-old daughter to college, while Yolando Simon said she was able to pay off a \$300 debt to a grocer.

At other **factories**, workers said, managers sometimes yelled or slapped them. Several said they were not allowed to go home when sick, and sometimes had to work past midnight after beginning at 7:30 a.m.

Comparing this **factory** with other ones, Ms. Vargas said, "the difference is heaven and earth."

CAPTION(S):

PHOTOS: Joseph Bozich, C.E.O. of Knights **Apparel**, and Mireya Perez, a union leader. In the Dominican Republic, a Knights plant pays far above industry averages. (BU1); Santa Castillo with son Felix, 4. She and her husband are building the house behind her now that she is

working at the Knights **Apparel factory**. (PHOTOGRAPHS BY MICHAEL KAMBER FOR THE NEW YORK TIMES); Tags on the Alta Gracia shirts made at the Knights plant promote its commitment to workers' well-being. (BU6)

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