

CASES WHERE BRANDS COMPENSATED WORKERS AFTER FACTORY CLOSURES (2006-2017)



March 2018

Following is a partial list of cases in which one or more apparel brands and/or retailers took responsibility to ensure workers who lost their jobs when a supplier factory was closed received severance pay and other benefits to which they were legally entitled. Cases include examples in which individual brands provided compensation to workers when their supplier failed to meet its legal obligations, where a group of brands contributed to a compensation fund for workers abandoned by a supplier, and where brands convinced parent companies to either contribute compensation directly to workers or to pressure the factory to do so.

In most of these cases, the decisions of brand buyers to provide compensation was motivated by a lengthy public campaign by labour rights, trade union and student organizations. However, since earlier precedents described below were established, some brands have been willing to compensate workers when a supplier failed to do so without the need for a public campaign.

2006

El Salvador:

Columbia Sportswear contributes \$120,000 to 525 workers formerly employed by its Evergreen supplier factory in El Salvador, \$75,000 of which was owed to Evergreen for products already delivered. The workers also received \$250,000 through the liquidation of the factory machinery. Evergreen had claimed to be unable to pay severance and other benefits owing because of a loss of orders from Columbia Sportswear. The workers had been owed \$1,293,000.

2009

Guatemala:

A grouping of brand buyers (Gear for Sports and Hanesbrands), the Fair Labor Association, the Collegiate Licensing Company, and the Worker Rights Consortium are successful in convincing the Ghim Li Group, former owner of the Estofel garment factory in Guatemala, to intervene to ensure that Estofel pays 871 former employees the \$534,236 in unpaid severance they are owed. When the factory was closed in 2007, the workers had been paid less than 50% of the severance and other benefits they were entitled to by law.

2009

Honduras:

A two-year campaign by United Students Against Sweatshops and a number of international labour rights organizations, including complaints to the WRC and FLA, convinces Fruit of the Loom, owners of Russell Athletics, to open a new factory, rehire and provide substantial economic assistance (US\$2.5 million) to the 1,200 workers who lost their jobs when its Jerzees de Honduras factory was closed. The agreement also includes a commitment by Fruit of the Loom to respect the right of all its employees in Honduras to freedom of association.

For more information visit: <http://en.archive.maquillasolidarity.org/jerzees>.

2010

Honduras:

Nike agrees to contribute US\$2.54 million to a “worker relief fund” for approximately 1,500 workers who lost their jobs when two Nike supplier factories in Honduras, Hugger and Vision Tex, were closed in 2009 and their suppliers failed to pay workers their lawful severance. Nike had initially denied that it had any responsibility to take on its suppliers’ legal obligations.

For more information, visit: <http://en.archive.maquillasolidarity.org/node/950>.

2013

Indonesia:

Adidas agrees to contribute an undisclosed amount (over US\$1 million) on top of an earlier contribution of \$525,000 in “humanitarian aid”, as well as job placement services, to approximately 2,800 former employees of its PT Kizone supplier factory in Indonesia. International labour rights organizations had been calling on adidas and other brand buyers to contribute \$1.8 million after hundreds of workers had been left jobless when their employer fled the country in 2011 without meeting its legal obligation to pay severance. In addition to adidas, Nike and its supply chain partners contributed \$500,000, Green Textiles, an intermediary that places order for brands, provided \$1 million, and Dallas Cowboys Merchandising paid \$55,000.

For more information, visit: <https://cleanclothes.org/news/2013/04/29/we-won-adidas-pays-kizone-workers>.

2013

Cambodia:

H&M and Walmart agree to contribute a total of \$200,000 to compensate 160 former Kingsland factory workers in Cambodia who had been abandoned when their employer closed the supplier factory and fled the country without providing them wages owing or severance pay. Both H&M and Walmart had initially denied having any business relationship with the factory after 2011 and July 2012 respectively.

For more information, visit: <https://cleanclothes.org/news/2013/03/04/historic-win-for-cambodian-workers>.

2015

El Salvador:

Hanesbrands and Fruit of the Loom provide a total of \$1.1 million in compensation to 1,118 workers formerly employed at the sister supplier factories Manufacturers del Rio and Central American Cutting Center in El Salvador. A small contribution was also made by a Levi's licensee, Hampshire. The brands had previously convinced the parent company that owned the factories, the Argus Group, to provide \$650,000 to the workers, who were left unemployed in January 2014 when the factories closed without paying legal severance.

2016

Honduras:

Two brand buyers, Gildan Activewear and Gap, and a licensee, Tailgate Clothing Company, agree to contribute a total of \$1 million to help cover the \$1.3 million owed to 500 former employees at the Rio Garment factory in Honduras who were left without severance pay when the factory was closed and the owners disappeared. In this case, no public campaign was necessary.

For the workers' story, visit: <https://www.youtube.com/watch?v=ahLiiBE5XjA>.

2017

Cambodia:

Under Armour and Hanesbrands, Gear for Sports and VF Corporation, and New Balance agree to ensure the payment of severance and owed wages of US\$91,000 to 75 workers who lost their jobs when Cambo Yon Xing Garment Co. Ltd. (Cambodia) closed. Payment was made by the supplier's parent company, Reliable Source Industrial Co. Ltd.