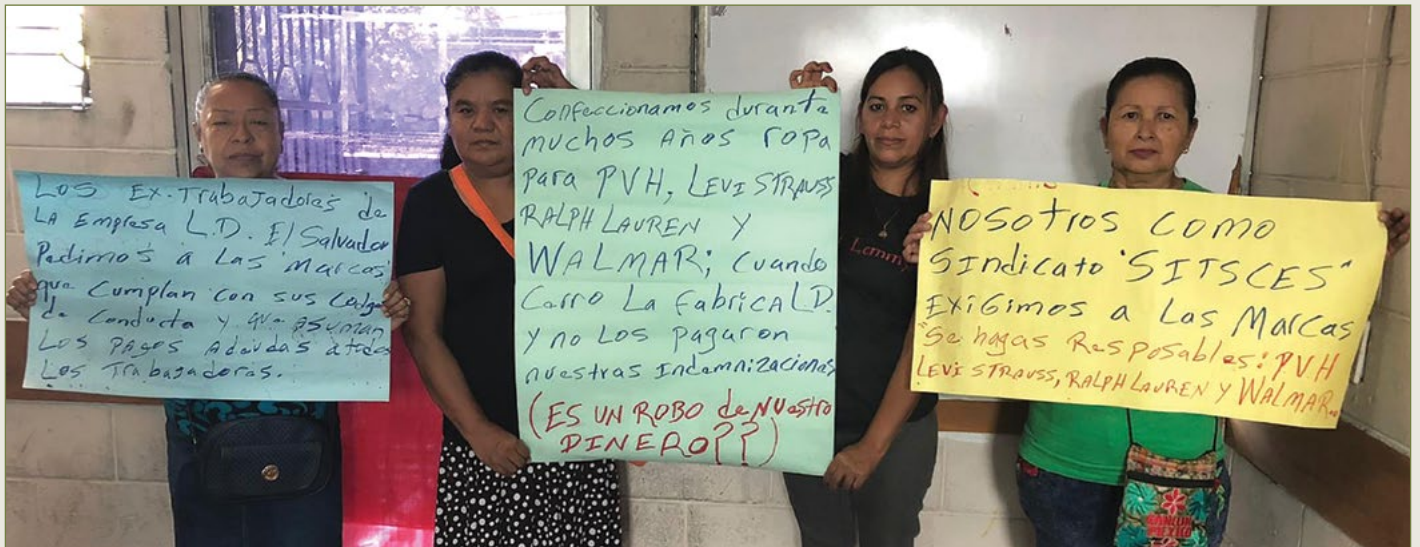




Brands still refusing to compensate workers abandoned in 2018 LD factory closure

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Four major US brands whose products were made in the LD garment factory in El Salvador are still refusing to pay the remaining \$1.7 million in outstanding severance pay owed to workers as a result of the closure of their supplier's factory two years ago.



A total of 824 workers and their families were left without work or income when the factory abruptly closed on March 7, 2018. The vast majority of workers were women who have worked for LD for many years. LD was a supplier for several well-known brand companies – PVH (owner of Calvin Klein and Tommy Hilfiger), Walmart, Ralph Lauren, and Levi Strauss & Co—through their licensee Global Brands Group (GBG). The Salvadoran Ministry of Labour estimated that the workers were entitled to a total of \$2.3 million in severance pay and back wages. None of the four brands has questioned the Ministry's calculation.

After months of engagement and repeated requests for action from WRC, MSN and international labour rights organizations in February 2019, the brands' licensee GBG agreed to contribute \$600,000, 26% of the total money owing, to a "humanitarian fund." Workers agreed to accept that amount as an interim payment, but did not waive their right to the remainder of what they are owed.

In February and March 2019, the Foundation for Studies for the Application of Law (FESPAD in Spanish), an

independent legal and human rights organization in El Salvador, coordinated the dispersal of cheques of US\$728.15 to each of the 824 LD workers.

Four months later, on July 27, worker representatives wrote to GBG and the four brands reminding them of their outstanding debt, US\$1.7 million, an average of approximately US\$2,000 per worker, the equivalent of nearly six months' wages. To date, workers have received no formal response to that letter.

On October 21, MSN, along with five other international labour rights organizations, sent letters to each of the brands, with copies to GBG, requesting immediate action to ensure that former LD workers be fully compensated. To date, there has been no formal response to our organizations.

However, when the Business and Human Rights Resource Centre (BHRRRC) contacted the companies in December 2019, three did respond – PVH, Levi Strauss and Walmart. Ralph Lauren and GBG remained silent.

PVH and Levi Strauss both argued that the \$600,000 that GBG had contributed more than covered their percentage of production in the factory. Responding to that statement, Scott Nova of the WRC observed, “If a factory fired 100 workers for being pregnant, no buyer would try to argue that, since it buys only 15% of the factory’s products, it is only responsible for asking the factory to reinstate 15 of the workers.”

Walmart, reportedly the largest single recipient of the factory’s products, offered an even weaker excuse for its failure to compensate the workers, arguing that since the workers would receive compensation from the sale of factory equipment and other assets, additional contributions from the brand buyers were not necessary.

Former LD workers took issue with Walmart’s response, arguing that the machinery was out of date, in bad working order and at this point could only be sold for junk.

A formal financial statement presented by the company to the National Registration Centre (a government institution) from 2014 estimated that in 2013 the machinery had a life cycle of between 5 and 8 years, rendering it obsolete by the time of the closure. The Salvadoran labour lawyer consulted by MSN, suggested that 500 sewing machines might sell for about \$50,000.

The workers were just as negative about the potential sale of the clothing inventory, which has been sitting in containers since the closure. “Given the heat, humidity, dust, rats, cockroaches, etc., it likely wouldn’t sell for more than a few dollars in the informal market.”

The vast majority of LD’s former workers are still unemployed, and, to date, none of the brands has helped them secure employment opportunities at their other supplier factories in El Salvador. El Salvador has no unemployment insurance benefits scheme, which is why severance pay is so important to workers whose incomes are so low they are unable to accumulate savings.

One of the former LD workers, Maritza, had worked for the company for 18 years and has two children. “When the factory closed, my whole world came tumbling down,” she explained in a January 2020 interview with MSN.

“While we didn’t make much, at least we could feed our children. After the closure, I had to work in the informal sector, selling pants, soap, empanadas in the street, making just enough to buy eggs and beans to eat. I didn’t know what to do because I was in debt and unable to pay for electricity and water. The brands should live up to their responsibilities under their codes of conduct.”

MSN and our labour allies will continue to demand that PVH, Walmart, Ralph Lauren, Levi’s and GBG live up to their responsibility to the LD workers and ensure payment of \$1.7 million owing to them. This is pocket change for brands who, collectively reported billions of dollars in net income last year. PVH, for example, announced a \$1 million donation to a US university business school on January 2 of this year.