



Workers abandoned in LD El Salvador factory closure owed US\$1.7 million

On October 21, 2019, six labour rights organizations sent letters to four major brands expressing their deep concern about the lack of follow-up by those brands to ensure that former workers at the LD El Salvador factory be fully compensated for US\$1.7 million outstanding severance owed following the factory's sudden closure.

In March 2018, LD El Salvador, a garment factory located in the San Marcos free trade zone and owned by Korean group KT, was shut down without prior notice. The employer abandoned the workers without paying them their legal severance and pocketed their national healthcare contributions from the months prior to the closure.

In total, 824 workers and their families were affected by the closure. LD was a supplier for several major brands, through an intermediary called Global Brands Group (GBG). Those brands included PVH (owner of Calvin Klein and Tommy Hilfiger), Walmart, Ralph Lauren, and Levi Strauss & Co.

The workers took their case to the Ministry of Labour, which ruled that the total amount owed to the LD workers at the time of closure was approximately US\$2.3 million. Despite this positive decision by the Ministry, LD El Salvador's owners fled the country, leaving the workers empty-handed.

In response to months of engagement and repeated requests for action from the Worker Rights Consortium (WRC), the International Labor Rights Forum (ILRF) and MSN, a group of major brands that had products made at LD pressured GBG to pay part of the severance owed to the workers. GBG eventually agreed to pay US\$600,000, or 26% of the total money owing to

workers. Workers agreed to accept the amount as an interim payment.

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 for US\$728.15 to the 824 LD workers.

On July 27, worker representatives wrote to GBG and brand representatives reminding them of their outstanding debt, US\$1.7 million, approximately US\$2,000 per worker. To date, workers have received no response to that letter.

MSN and our international allies are demanding that PVH, Walmart, Ralph Lauren, Levi's, and GBG take immediate steps to ensure full remediation of the outstanding severance obligation to LD workers. These global companies have a responsibility to the workers under their codes of conduct to remedy the wage theft that took place at LD El Salvador.

Without active involvement, accountability and due diligence from the major brands, closures like the one at LD El Salvador will continue to take place in the garment industry, stripping workers of their legal right to severance, adequate notice and social security benefits.