WORKER RIGHTS CONSORTIUM

Case Summary: Hawkins Apparel (Honduras)
November 25, 2013

This memorandum is a summary of labor rights violations and remedial action at Hawkins Apparel, a garment production facility with roughly 200 employees that was located in Choloma, Honduras. Hawkins closed its doors on February 15, 2012. We review herein the WRC's findings concerning Hawkins' ownership's violations of Honduran law and workers' rights at Hawkins in the area of employee compensation and the response of the buyers, including the decision of Jerry Leigh, a US firm that was working for a number of customers and/or licensors in the factory, to voluntarily provide funds to the workers sufficient to make them whole and fully correct the violations.

Hawkins produced apparel for a number of customers, including Jerry Leigh and VF Corporation (including VF's Majestic Athletic brand). Jerry Leigh was the largest producer at the time of the closure. VF says it stopped sourcing in July 2011, prior to the closure; however, assuming this is correct, it is also clear that VF was a large and recent customer of Hawkins and that violations of Honduran law began while VF was still sourcing from the facility.

When Hawkins closed, it owed non-managerial employees nearly $300,000 in legally mandated compensation. The violations at Hawkins began in mid-2010, while VF was producing there, when the factory stopped paying legally mandated terminal compensation to at least some departing employees. The situation deteriorated in September 2011, when the factory ceased paying workers their wages on time and in full. On February 15, 2012, the factory closed, still owing many workers up to a month of wages. In addition, under Honduran law, workers who lose their jobs due to a factory closure (or other form of economic layoff) must be paid severance. Hawkins failed to pay severance and other terminal compensation. In total, including back wages, Christmas bonuses, severance, advance notice pay, and accrued vacation, Hawkins owed US$294,185 in legally mandated compensation to 182 non-managerial employees.

Workers received a small part of what they were owed as a result of the liquidation of the factory's remaining assets (primarily machinery). The sale generated $43,000, roughly 14 percent of the amount due. Subsequent to the liquidation, workers were still owed $258,193.

In spite of the fact that the owner of the factory, Steve Hawkins, was legally responsible under Honduran law to pay severance and terminal compensation, Hawkins fled Honduras. As there was no realistic prospect of using legal means to compel the owner of the factory to pay, it was clear shortly after the closure that the workers were very unlikely to ever receive any money outside of the liquidation proceeds – unless the factory's buyers voluntarily intervened.

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After the factory closure, the WRC contacted Disney, one of Jerry Leigh's licensors, to initiate discussions with Jerry Leigh. After consultations between the WRC, Disney and Jerry Leigh, the latter decided to make a financial contribution to the workers in order to facilitate remediation of the violations committed by Hawkins. The WRC repeatedly urged VF to join Jerry Leigh in acting responsibly to address the abuses committed by its contractor, but VF refused to do so, insisting that it has no responsibility to the workers. As a result, the full financial burden has fallen on Jerry Leigh.

On Friday, December 7, 2012, Jerry Leigh made a humanitarian distribution of 5.5 million lempira, or US$277,852, to the former workers of Hawkins Apparel. The amount was sufficient to ensure that every non-managerial employee of the factory has now been paid or offered, in full, the money he or she legally earned, with interest. Worker representatives from the CGT union federation, which has been supporting the workers' efforts to obtain their money, reviewed and expressed their support for Jerry Leigh's actions, both in terms of the amounts distributed and the distribution mechanism, which involved cash payments to workers made through a respected labor rights monitor, COVERCO. As of the date of this memo, 99% of the former Hawkins workers have received their payments; following the initial distribution, the CGT worked to contact workers who had not yet presented themselves, and the funds remained available for one month.

This payment, which Jerry Leigh describes as humanitarian assistance, will make an enormous difference to these workers and their families. Non-payment of terminal compensation is an especially damaging form of labor rights violation, because it robs recently unemployed workers of substantial income at exactly the moment they most need it. In such cases, workers often lose their homes, their mode of transportation, even their ability to send their children to school. The effects can be devastating, with long-term consequences. By making these workers whole, Jerry Leigh has ensured that they and their families will have the income they need to survive as these workers continue to seek alternate employment.

Jerry Leigh's decision to aid these workers is an important example of responsible corporate behavior, in sharp contrast to the actions of VF – and many other brands and retailers that have simply walked away in cases where their contract suppliers failed to pay workers money they legally earned. It is also important to recognize Disney's positive role in supporting Jerry Leigh's decision to aid the workers.

It must also be noted that Steve Hawkins, the owner of Hawkins Apparel and a US citizen, has a track record of similar abuses. His previous business endeavor was a factory called Southeast Textiles International (SETISA), also located in Honduras. SETISA was the subject of multiple investigations that uncovered serious violations of workers' rights, conducted by the Northwestern University School of Law and the Institute for Global Labour and Human Rights. In 2008, Hawkins closed SETISA and left workers in the same predicament faced by workers at Hawkins Apparel. A worker interviewed by the WRC, who was employed by SETISA at the time of its closure, reported that workers showed up for work one morning, as on any workday, and found the factory had closed, with no prior notice. They were told that they were fired and that there was no money to pay their legally mandated severance and other terminal benefits.

The SETISA workers were able to sell the company’s property and collect part of the money due to them, but they only received approximately 50 percent of the total amount owed.