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To: WRC Affiliate Colleges and Universities
From: Scott Nova and Jessica Champagne
Re: Compliance Verification re Factory Closure in Haiti
Date: October 6, 2016

Multiwear, S.A., a factory producing collegiate licensed apparel in Port-au-Prince, Haiti, closed its doors on March 15, 2016. At the time of closure, university licensee Russell Brands disclosed the factory as producing collegiate apparel; the factory also supplied non-collegiate apparel to HanesBrands, parent company of university licensees Gear for Sports and Knights Apparel. In the final years of the factory's operation, HanesBrands was the most significant buyer in the factory in terms of volume.

Before its closure, Multiwear operated as a cut-and-sew facility in the SONAPI Industrial Park, located in Port-au-Prince, Haiti. The factory was owned by Richard Coles, a prominent Haitian businessman with a number of enterprises in the country. Multiwear produced basic t-shirts and employed, at the time of closure, approximately 2,000 workers. The factory's workers were represented by three independent trade union bodies: La Centrale Nationale des Ouvriers Haitiens (CNOHA), l'Ente Sendikal Premye Me-Batay Ouvriye (ESPM-BO), and Confederation des Forces Ouvriers Haitiens (CFOH).

Leading up to and following the closure, the Worker Rights Consortium ("WRC") engaged with the key buyer from the factory, HanesBrands, to ensure that workers' rights would be respected during the closure. Following a WRC recommendation, with the close involvement of HanesBrands, Multiwear management negotiated an agreement with the unions representing the workforce. Under this agreement, workers received terminal benefits superior to those required by the law, including additional severance pay and priority hiring at other factories owned by the employer. In addition, the factory's owner committed that, at a new factory to be opened in the Caracol Industrial Park, also in Haiti, he would continue his compliance with the production minimum wage – an unusual commitment in the Haitian garment industry – and, if the workers chose to form a union, negotiate a collective bargaining agreement.

Based on this agreement and on subsequent communications with worker representatives, the WRC concludes that Multiwear complied with, and in some cases exceeded, the relevant requirements of Haitian law with regard to workers' rights related to the factory closure.

Prior to the factory's closure, the WRC had engaged successfully with Multiwear management and HanesBrands regarding the factory's failure to pay the minimum wage, a common practice in Haiti. Following the WRC's 2013 report *Stealing from the Poor*,[1] HanesBrands began requiring its suppliers to begin paying the appropriate wage, and Multiwear significantly increased its wages to come into compliance.

The following section of this memorandum summarizes the work of the WRC to press for and verify the payment of the Haitian minimum wage at Multiwear in the years before the closure. The final section details the terms and implementation of the labor-management agreement regarding the Multiwear closure.

Background: Minimum Wage Compliance

Starting 2014, the WRC engaged with HanesBrands and with Coles, Multiwear's owner, as part of broader efforts to press for compliance with the Haitian minimum wage in the garment sector. In 2013, the WRC conducted an extensive investigation of garment factories in Haiti to verify whether or not these factories were complying with the country's legal minimum wage. Haiti's 2009 Minimum Wage Law required employers to apply a higher minimum wage for workers who are paid based on piece rates or production quotas, which includes most of the country's garment workers; at the time, these workers were entitled to receive at least 300 Haitian gourdes (HTG) per day for an eight-hour workday.[2]

In the resulting report, *Stealing from the Poor*, the WRC documented the chronic and widespread failure of garment factories in Port-au-Prince to pay workers the legal minimum wage. After publishing this report, the WRC engaged with three apparel firms producing in Haiti: HanesBrands, Fruit of the Loom (parent company of university licensee Russell Brands), and Gildan, a major supplier of blank t-shirts to university licensees. Each of these companies committed, in early 2014, to ensure that its supplier factories in Haiti pay the legally required production minimum wage. The three firms also committed to encourage their supplier factories to sign written agreements with worker organizations in order to create a specific, time-bound, legally binding framework for the implementation of the new wage levels. The WRC has monitored compliance and communicated with the factories and buyers regarding necessary improvements; the WRC will be reporting separately on compliance at other facilities.

Sendika Ouvriye Takstil ak Abiman (SOTA), a union affiliated with ESPM-BO that represents Multiwear workers, signed an agreement with Coles on July 22, 2014, committing the factory to pay the minimum wage and establishing specific piece rates that the parties agreed would enable

[1] Worker Rights Consortium, "Stealing from the Poor: Wage Theft in the Haitian Apparel Industry," October 15, 2013, http://www.workersrights.org/freports/WRC%20Haiti%20Minimum%20Wage%20Report%2010%2015%2013.pdf.
[2] *See*, Haitian Law Number CL-09-2009-010.

workers to reach the appropriate wage levels. Also as part of this agreement, Multiwear provided approximately US$4,200 in retroactive payment to workers for wage levels below the minimum wage during the two-month period prior to the signing of the agreement. This agreement established a standard for similar agreements signed by other employers in Port-au-Prince with worker representatives. Finally, Coles committed to negotiate a collective bargaining agreement in order to formally define wages, benefits, and working conditions.

In January 2015, HanesBrands arranged access for the WRC to conduct onsite payroll reviews at its supplier factories in Haiti to verify that each of these factories was complying with the minimum wage. This audit, in conjunction with worker interviews, confirmed that workers' wages met or exceeded the production minimum wage. Worker representatives interviewed by the WRC over the following months reported that the factory continued to appropriately pay the minimum wage, and, specifically, that the factory complied with the national increase in the production minimum wage from 300 to 320 gourdes per eight-hour workday that went into effect on May 1, 2015.[3]

Respect for Workers' Rights During Factory Closure

In February 2016, Coles informed union leaders that the factory would close. HanesBrands contacted the WRC with the same information. Coles informed the workers that they would receive full payment of their severance benefits in accordance with the law. He also announced that he was opening a new factory in the Caracol Industrial Park in northern Haiti, GOAL Exports ("GOAL"), and that the HanesBrands production would be shifted to GOAL.

In cases of no-fault terminations, including terminations resulting from factory closures, the Haitian Labor Code requires employers to pay terminal compensation based on the length of each worker's service. The law requires that severance, calculated using the worker's average weekly salary for a period of three months prior to the date of termination, be paid as follows:[4]

Length of Service	Legally Required Severance Pay
3-12 months	Equivalent of 2 weeks of salary
1-3 years	Equivalent of 1 month of salary
3-6 years	Equivalent of 2 months of salary
6-10 years	Equivalent of 3 months of salary
10 years or more	Equivalent of 4 months of salary

When the closure was announced, the WRC recommended to HanesBrands and Coles that the factory negotiate an agreement with the workers' union representatives that would detail the

[3] *See*, Haitian Presidential Decree, April, 16 2015.
[4] Haitian Labor Code, Law Number 1, Chapter 6, Section 45.

terms of the closure. With the encouragement of HanesBrands, Coles agreed to do so, and the parties promptly began negotiating. The factory closed on March 15, 2016; the parties continued to negotiate the terms of the closure until reaching an agreement on April 8, 2016.

In the agreement, Multiwear management agreed to pay the equivalent of three months of salary to all workers with zero to 10 years of service, an amount significantly above the legal requirement for many workers. The parties also agreed that the unions' executive committee members would receive priority in future hiring at other Coles-owned facilities, and that any Multiwear workers willing to move to northern Haiti would have the opportunity to join the GOAL workforce. Given that the Caracol Industrial Park, where GOAL is located, is approximately eight hours travel time from Port-au-Prince, the company agreed to make a one-time contribution to workers transferring to GOAL to cover relocation costs. The parties also agreed that Multiwear would ensure that the required contributions to workers' pension funds had been made and would provide the workers with written proof of these payments.[5]

Following the agreement, representatives of the ESPM-BO and CNOHA unions reported to the WRC that workers received severance payments in accordance with the agreement, and that these payments were made promptly the same day that the agreement was signed, April 8. The union also reported to the WRC that a limited number of workers have been offered employment at the other facilities owned by Coles in Port-au-Prince, and that, to their knowledge, approximately 175 workers have relocated to northern Haiti to work at GOAL. The union also confirmed that the workers received written confirmation that the factory had made the appropriate contributions to their pension funds up to the date of the closure.

Representatives of both of the union signatories to the agreement reported to the WRC that very few of the unions' executive committee members had been hired at other Coles facilities in Port-au-Prince. On August 8, the parties met to discuss this issue and the company committed to ensure that factory-level managers understand the obligation to prioritize the hiring of union members and to provide the union with a list of vacancies at the factory.

In addition to providing compensation and the opportunity to relocate to the Multiwear workers, Coles made two commitments regarding the operation of his new facility, GOAL. First, he committed that if workers chose to organize a union, he would deal in good faith with the union and negotiate a collective bargaining agreement. Second, both Coles and HanesBrands have committed that GOAL will pay the production minimum wage to eligible workers. When an increase in the wage went into effect in May 2016, HanesBrands confirmed that the factory would promptly implement this new wage. The WRC will verify compliance with these commitments.

[5] Haitian law requires employers and employees to make monthly contributions to the National Pension Fund, Haitian Loi de 28 de Aout creant l'Office Nationale d'Assurance-Vieillesse Chapter XXX, Article 202.

The WRC concludes that Multiwear complied with Haitian law and with the agreement signed with the unions regarding the terms of the closure. The loss of jobs created by a factory closure is never desirable given the economic impact on workers, their families, and the community as a whole. However, the direct and transparent negotiations conducted between the union and the employer, and the employer's compliance with the law and that agreement, set it apart from the typical closure in the apparel industry. All too often, factory owners close their operations suddenly without providing workers with even the minimum amount of severance pay required by law. It is to the credit of Coles and HanesBrands that this closure was marked by communication and negotiation with the relevant worker organizations, provision of financial compensation above that required by Haitian law, and an opportunity for workers to resume employment at the new facility.