

To: WRC Affiliate Colleges and Universities
From: Scott Nova and Laura Gutierrez
Re: Remediation of Severance Pay Violations at Han Apparel/Embroidery Ltd (Bangladesh)
Date: August 19, 2016

The distribution of severance benefits to workers formerly employed by Han Embroidery Ltd (Han Embroidery), a collegiate supplier factory in Bangladesh, has been successfully completed. As we reported on April 28,¹ Han Embroidery closed on October 25, 2015, without paying 168 workers \$72,157 in legally required severance pay. Workers were left without the equivalent of six months' wages, on average, in unpaid compensation.

Prior to its closure, Han Embroidery embellished hats, primarily as a subcontractor to the manufacturer Han Apparel Ltd (Han Apparel). Han Apparel is located in the same building as Han Embroidery and supplies collegiate licensed goods to Zephyr Graf-X (Zephyr).

When Han Embroidery closed, workers filed a complaint with the Worker Rights Consortium (WRC). After investigating the allegations and finding that the factory had failed to provide legally required compensation, the WRC contacted Zephyr to inform the company of this violation of Bangladeshi law and university codes of conduct. While Zephyr had not disclosed Han Embroidery as a supplier of collegiate apparel, Zephyr acknowledged the relationship. After the WRC clarified Zephyr's responsibilities in this case under codes of conduct, Zephyr contacted Han Apparel, which committed to provide the full legally required severance to the Han Embroidery workers.



Han Apparel, Savar, Bangladesh

¹ See, WRC memo, "Remediation of Severance Pay Violations at Han Embroidery Ltd (Bangladesh)," April 27, 2016,

<http://workersrights.org/freports/WRC%20Memo%20re%20Han%20Embroidery%204.28.16.pdf>.

With the cooperation of Zephyr and Han Apparel, the WRC calculated the amount owed to each worker. Working with the union representing the workers, the WRC then developed a plan for the distribution, which was implemented by Zephyr, Han Apparel, the labor union representing the workers (the National Garment Worker Federation – NGWF), and the WRC.

Since we reported to universities on this case in April, all Han Embroidery workers have collected their payments. Ninety percent of the workers, 152 out of 168, collected their funds on April 29 and May 6, the days on which workers were invited to collect funds at the Han Apparel factory. Han Apparel management processed the payments based on calculations approved by the WRC and Zephyr, and with oversight from the same parties. The remaining 16 workers claimed their funds subsequently from the Han Apparel office; the last worker collected her funds on July 14.

Workers collect severance pay on April 29, 2016



The WRC monitored all disputes regarding the payments, and confirmed that the small number of challenges that arose were appropriately resolved. Four workers challenged the initial amount of their payment. Each of these workers reported that they had been employed at Han Embroidery for a

longer period than the available personnel information indicated, and therefore were entitled to more severance pay. These errors were reviewed by all parties and Han Embroidery provided adjusted payments to each of the relevant workers on June 13.

We are pleased to report on the successful completion of this distribution. Failure to provide legally mandated severance pay continues to be a major issue in Bangladesh, as in the apparel industry globally. When workers receive the full amount they are owed, as in this case, they are able to use this money to pay back debts they accrued, both while working and after their termination, and to meet their families' basic needs. In some cases, they use this payment – perhaps the largest single payment they will receive in their working lives – to make investments that will serve their families in the future, such as buying homes or paying children's school fees.

It is to Zephyr's credit that, when the WRC presented the results of our investigation into this case, the licensee acknowledged the violation, recognized its obligation to correct the violation, and worked with the WRC to ensure that the violation was fully remedied.



Jahid counts his severance pay. Having worked at Han Embroidery for four years, Jahid received nearly \$280 in severance pay, the equivalent of more than four months' wages. Jahid lives in Savar with colleagues from the factory where he is currently employed. Jahid plans to use his severance pay to make needed improvements to the home of his aging parents.



Manik signs to receive \$450 of severance pay, the equivalent of nearly seven months' wages. Manik and his wife are expecting their first child. When receiving his payment Manik explained to the WRC, "I not only feel happy but also feel relieved to receive this money. I feel more prepared to welcome my baby."



Shiuly received \$325, the equivalent of nearly five months' wages, which will allow her to pay off her family's loans. She plans to use the remaining money to buy farm land, which she hopes will allow her to have a reliable source of income and to save for the future. Shiuly told the WRC, "It's a great feeling for a poor family [like mine] to suddenly get so much money....We never thought we could get a single penny from a previous employer. This money will not only improve our living conditions now, but it will allow us to save money and prepare for the future."