FIRED, THEN ROBBED

Fashion brands’ complicity in wage theft during Covid-19

WRC
WORKER RIGHTS CONSORTIUM

APRIL 2021
Fired, Then Robbed: Fashion brands’ complicity in wage theft during Covid-19

Contributions to this report:
The Worker Rights Consortium (WRC) thanks the garment workers we interviewed and the following organizations for contributing information used in this report: Bangladesh Center for Workers Solidarity (BCWS), Bangladesh Independent Garment Workers Union Federation (BIGUF), the Center for Alliance of Labor and Human Rights (CENTRAL) in Cambodia, the Cambodian Alliance of Trade Unions (CATU), the Clean Clothes Campaign, the Garment and Textile Workers Union (GATWU) in India, Gabungan Serikat Buruh Indonesia (GSBI), MAP Foundation in Thailand, Maquila Solidarity Network in Canada, offices of the Solidarity Center in various countries, Serikat Pekerja Nasional (SPN) in Indonesia, and Solidarity Trade Union of Myanmar (STUM). The WRC also utilized information provided in reports from the Business & Human Rights Resource Centre, WageIndicator Foundation, the Home-Based Women Workers Federation in Pakistan, and Partido Manggagawa in the Philippines.

Note: The currency used throughout this report is US dollars.

Cover photo:
Garment workers block a road in Dhaka, Bangladesh, on May 20, 2020, in a protest to demand their unpaid wages during a nationwide lockdown to curb the spread of the coronavirus. Photo: Sk Hasan Ali

April 2021
TABLE OF CONTENTS

1  I. Introduction and Executive Summary

5  II. History of Severance Theft in Brand Supply Chains and Efforts to Achieve Remedy

12  III. Confirmed Cases of Severance Theft during Covid-19

27  IV. Evidence of Broader Violations and Estimates of the Scope of Severance Theft across the Apparel Supply Chain

32  V. What Will It Take to End Chronic Theft of Garment Workers’ Terminal Compensation?
LIST OF TABLES AND FIGURES

Table 1: Terminal Compensation Requirements (Selected Countries)

Table 2: Confirmed, Unresolved Cases of Severance Theft, with Amounts Legally Owed to Workers

Table 3: Payment Status at Factories in WRC Data Set

Figure 1: Portion of Severance Received by Workers at 31 Factories with Confirmed Severance Theft

Figure 2: Incidence in WRC Data Set of Factory Closures vs. Mass Dismissals

Figure 3: Severance Theft in the Garment Industry during Covid-19
I. INTRODUCTION AND EXECUTIVE SUMMARY

The world’s garment workers have been among the hardest hit by the economic ravages of the coronavirus pandemic. Hours and wages have declined for many of those lucky enough to keep their jobs,¹ and millions have been fired outright,² as apparel brands and retailers slashed production volumes throughout their supply chains.³

WRC Verified Post-dismissal Wage Theft at 31 Factories Supplying Leading Fashion Brands

Since the industry’s chronically low wages left most garment workers with no savings on the eve of the crisis⁴ and since most governments in apparel exporting countries provide little or no unemployment benefits,⁵ the only thing standing between an out-of-work garment worker and immediate poverty for her family are the legally mandated severance benefits⁶ that most garment workers are due upon termination.

New research by the Worker Rights Consortium (WRC) reveals that many workers are being denied some or all of this essential compensation, in violation of the law and the labor rights obligations of the brands and retailers whose clothes they sewed. The WRC has identified 31 export garment factories, in nine countries, where there is definitive evidence that the factory fired workers and then failed to pay them severance they legally earned. In some cases, workers have received partial payment; in others, they have received nothing. In total, the wage theft at these 31 facilities robbed 37,637 workers of $39.8 million. This is an average of more than a thousand dollars (US) per person, which is about five months’ wages for the typical garment worker. Among the brands implicated in these cases are adidas, Amazon, H&M, Inditex, Next, Nike, Target, and Walmart—all companies that have made substantial profits during the pandemic.⁷

Theft of Severance Appears to Be Widespread in the Apparel Supply Chain during Covid-19

More disturbing, these cases appear to be the tip of an iceberg. The WRC has also identified an additional 210 export apparel factories, in 18 countries, where initial evidence indicates that workers have been deprived of legally mandated severance but where there is, as of yet, insufficient documentation to confirm the violation definitively. Most of these factories supplied well-known fashion brands and retailers. Based on the percentage of valid cases of
Due to social distancing measures and a decline in orders, many seats in garment factories are left empty.

Photo: Ekaterina

wage theft among the sample of cases for which we have been able to reach definitive findings, we project that 182 of these additional cases (86.8 percent) involve bona fide violations. Adding in estimates for workers affected and money owed for these additional cases, we arrive at a total estimate of 213 cases of severance theft among the factories in our data set, costing more than 160,000 workers an estimated $171.5 million.

This estimate reflects only the confirmed and likely severance violations among 400 garment factories where the WRC has been able to identify a factory closure or mass dismissal. These are cases where news of job loss has been brought to light through reports from unions or other civil society organizations, or through local media coverage, or because unpaid workers have brought a complaint. These cases represent only a modest fraction of the total number of closures and large-scale dismissals over the last 12 months across the entire garment industry. Indeed, comparing aggregate country-level data on factory closures and job loss from credible sources to the WRC’s data set indicates that the 400 cases identified by the WRC represent no more than 10 percent of the global total of factories that have closed or shed a substantial number of workers. Even making the reasonable assumption that cases where severance has gone unpaid are substantially over-represented in our sample of factories, since it is partly generated by worker complaints, this means pandemic-era severance
theft across the global apparel supply chain very likely exceeds half a billion dollars. The figure is sure to rise as the pandemic and its economic consequences continue to unfold.

A Chronic Failure of Leading Brands to Ensure Workers Are Paid the Money They Earn

Severance theft during the pandemic is an acute manifestation of a long-standing failure of apparel brands and retailers to ensure that the workers in their supply chains are paid what they are legally owed when they lose their jobs. Over the last 15 years, the WRC, among other organizations, has exposed dozens of cases of large-scale severance theft at garment factories. Virtually every major apparel brand and retailer has been implicated.

Across all factories in our data set, we estimate that 160,000 workers have lost $171.5 million to severance theft.

These historical violations, like those occurring in the midst of the pandemic, represent the failure of brands and retailers to uphold their own labor standards. Every significant apparel brand and retailer has a self-generated labor rights code of conduct. Virtually without exception, these codes commit the brand to ensure that supplier factories pay all legally mandated wages and benefits. Despite this, brands and retailers chronically fail to ensure that severance is paid, with catastrophic consequences for workers. Brands and retailers themselves acknowledge the high incidence of severance theft in their supply chains. For example, in 2012, adidas, facing criticism over nonpayment at a large garment factory in Indonesia, defended itself by pointing out that nonpayment of severance is so common in that country that the large majority of garment and footwear workers are not paid the full compensation they are legally owed when they lose their jobs.

In some past cases of severance theft, public pressure on factory owners and brands, or the enforcement of contractual brand obligations, has led to back pay that has made workers whole. In others, workers never received their full severance.

Solutions: Immediate and Long-Term

It is imperative that brands and retailers, in all cases where dismissed workers have not been paid what they are legally owed, step in and ensure full payment, whether by compelling the relevant suppliers to pay or by providing the funds themselves. The WRC will press brands, in the 31 confirmed cases covered in this report, to make workers whole and will engage on other cases where feasible.

However, the problem is far broader than this immediate set of cases, and it will continue to plague garment workers long after the pandemic unless fundamental change is achieved. Labor unions and advocacy organizations have proposed that brands and retailers sign a
Pandemic-era severance theft across the global apparel supply chain very likely exceeds half a billion dollars.

binding agreement obligating them to make regular payments into a Severance Guarantee Fund that will step in to make workers whole whenever there is a case of large-scale nonpayment of severance. Such a system, backed up by an enforceable contract between brands and labor unions, is the only viable means to bring an end to the unconscionable reality, and the devastating human consequences, of chronic severance theft in the fashion industry's supply chain.

In this report, we:

• review the history of severance theft in the global garment industry, prior to the pandemic;

• provide details of the 31 confirmed cases of severance theft we have documented during the pandemic and list the brands responsible;

• discuss in more detail our broader data set of factory closures and mass worker dismissals and the implications of this data for estimating the overall incidence of severance theft during Covid-19; and

• further outline recommendations for corrective action.
II. History of Severance Theft in Brand Supply Chains and Efforts to Achieve Remedy

Wage theft associated with closure of factories and other large-scale dismissals of workers, in the form of failure to pay legally required severance, is pervasive and long-standing in the global apparel industry. Because severance theft impacts workers at the very moment when they have lost their source of income and because the amounts unpaid are usually equivalent to at least several months of workers’ wages, the impact on workers and their families is often devastating.

Causes of Severance Theft and Its Harm to Workers

The impact of severance theft on garment workers is severely exacerbated by the sourcing strategies employed by major apparel brands over the past several decades. As advances in logistics and information technology have enabled brands to continually shift production to countries with lower wages, the industry’s labor force has been increasingly comprised of workers who live
pay-period to pay-period, on a bare subsis-
tence income—a small fraction of a living
wage—without the savings to help them
weather job loss.\textsuperscript{11}

Moreover, in most of the countries to which
brands’ sourcing strategies have caused the
industry to shift, governments lack the re-
sources and/or will to establish national un-
employment insurance and other social safe-
ty nets.\textsuperscript{12} As a result, in country after country,
theft of severance, combined with job loss,
results in deprivation for families—homes
lost, malnutrition, disruption of schooling for
children, and extortionate debt.\textsuperscript{13}

Severance is a Legal Right of Workers
That Brands Promise to Protect

Due, in significant part, to widespread lack
of adequate unemployment insurance and
other social safety nets, nearly all major gar-
ment-exporting countries have, as a feature
of their labor laws, explicit mandates for
private employers to provide workers who
are dismissed without cause (i.e., through
no fault of the worker) significant severance,
based on length of service.\textsuperscript{14} The respon-
sibility of governments to establish, and em-
ployers to comply with, mandates for severance, particularly
where unemployment insurance is lacking,
has been recognized by the International
Labour Organization in its Convention and
Recommendation on Termination of Em-
ployment (Convention 158, Recommenda-
tion 166).\textsuperscript{15}

Brand Purchasing Practices
Encourage Severance Theft

Despite their \textit{formal commitment} to re-
quire payment of severance, brands’ \textit{actual}
purchasing practices are a major contribut-
ing cause of pervasive severance theft. The
brands’ strategies increase the chances that
when factories close down or otherwise lay
off large numbers of workers, they will fail to
pay legally due sever-
ance, either partially or
completely.

Downward price pres-
sure exerted by brands
on suppliers is a key

driving factor in the

prevalence of labor

rights abuses in the
global apparel indus-
try. Prices paid by major
brands, at best, enable
a factory owner to maintain a modest profit
while meeting its \textit{current obligations} to pay
legally required minimum wages and ben-
nets.\textsuperscript{40} Brand price pressure strongly incen-
### Table 1: Terminal Compensation Requirements (Selected Countries)

<table>
<thead>
<tr>
<th>Country</th>
<th>Severance Pay Requirement</th>
<th>Pay in Lieu of Notice Requirement</th>
<th>Typical Total Amount Owed to Worker with 5 Years of Service (including unused vacation, bonuses, etc.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bangladesh</td>
<td>1 month’s wages per year of service.</td>
<td>1 month’s wages if formally retrenched, otherwise 1–4 months’ wages depending on circumstances.</td>
<td>If formally retrenched, US$364 If otherwise dismissed without cause: US$541</td>
</tr>
<tr>
<td>Cambodia</td>
<td>Long-term contract (“UDC”) employee: 15 days’ wages per year of service before 2019, plus 15 days, plus equal amount of damages if dismissal without valid reason. Short-term contract (“FDC”) employee: wages for remaining term of contract, plus 5% of total wages earned under current contract.</td>
<td>Long-term contract (“UDC”) employee: 7–90 days’ wages based on length of service. Short-term contract (“FDC”) employee: 0–15 days’ wages based on length of contract.</td>
<td>If dismissal with valid reason (but no serious misconduct): US$1,290 If dismissal without valid reason: US$1,890</td>
</tr>
<tr>
<td>El Salvador</td>
<td>30 days’ wages per year of service.</td>
<td>None.</td>
<td>Payment of severance and pro-rated vacation and year-end bonus: US$2,009</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>In case of employer’s bankruptcy: 15 days’ wages per year of service. Otherwise, for employee with 5+ years of service, 23 days’ wages for each year; for 1–4 years of service, 21 days’ wages for each year; for 6 months–1 year, 13 days’ wages per year.</td>
<td>In case of employer’s bankruptcy: None. Otherwise, for a worker with 1+ years of service or more, 28 days’ wages.</td>
<td>In case of employer’s bankruptcy: US$718 Otherwise: US$1,288</td>
</tr>
<tr>
<td>India</td>
<td>15 days’ wages per year of service, plus, for a worker with 5+ years of service, gratuity of 15 days’ wages for each year of service.</td>
<td>In cases of retrenchment, 30 days’ wages. In other cases of closure, 60 days’ wages.</td>
<td>If ordinary retrenchment: US$978 If factory closes: US$1,095</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1 month’s wages, plus 1 month’s wages per year of service up to 9 months’ wages; plus 1 month’s wages for every 3 full years of service, to an additional 8 months; plus, for a worker who ordinarily receives housing or medical allowances, an additional 15% of the total amount, and in cases before October 2020, the total doubled if the termination was not due to bankruptcy or 2 years of financial losses for the employer.</td>
<td>None.</td>
<td>In case of bankruptcy, 2 years of financial losses for employer, and all cases after October 2020: US$1,448 In other cases before October 2020: US$2,896</td>
</tr>
<tr>
<td>Jordan (Migrant workers on fixed-term contracts)</td>
<td>Wages for the remainder of fixed-term contract. Benefit from security agency after completion of social initial contract (3 years): US$1,117</td>
<td>None.</td>
<td>If employed until end of contract: US$166 (unused annual leave only) Benefit from social security agency: US$1,862</td>
</tr>
<tr>
<td>Myanmar</td>
<td>2 weeks’ to 13 months’ wages depending on length of service.</td>
<td>30 days’ wages.</td>
<td>US$438</td>
</tr>
<tr>
<td>Thailand</td>
<td>20+ years of service: 400 days’ wages; 10–19 years: 300 days’ wages; 6–9 years: 240 days’ wages; 3–5 years: 180 days’ wages; 1–3 years: 90 days’ wages; 6–12 months: 30 days’ wages.</td>
<td>1 pay period’s wages.</td>
<td>US$2,247</td>
</tr>
</tbody>
</table>
Despite their formal commitment to require payment of severance, brands’ actual purchasing practices are a major contributing cause of pervasive severance theft.

tivizes suppliers to minimize labor costs by choosing not to set aside money to cover future severance liability. The brands themselves are financial beneficiaries: suppliers save money by neglecting the need to fund their severance liability and much of those savings are then passed along to the brands in the form of lower prices than a factory would otherwise have to charge.

In addition to giving their suppliers financial reason to forgo funding severance obligations as they accrue, brands further encourage this recklessness by failing to police suppliers’ practices. The WRC is not aware of any major brand that, as a matter of publicly announced policy, includes in its pricing an additional margin for suppliers to pay future severance obligations and then requires suppliers to set aside sufficient money for this in escrow or an externally controlled fund. This is despite the fact that it is well understood within the industry that non-payment of legally mandated severance is a chronic problem.

Even an employer that does not wish to cheat workers of severance may be placed by brands in the position of not being able to avoid doing so. The sum impact of brands’ sourcing strategies in contributing to severance theft is reflected in its pervasiveness in many garment-exporting countries, as evidenced, for example, in the statistic, cited by adidas, that, in Indonesia, two-thirds of garment workers do not receive the severance they are owed.

Remedy for Severance Theft Requires Brand Accountability

Brands have committed, in their policies and codes of conduct, to require suppliers to meet their severance obligations to workers. Through their purchasing practices, however, brands regularly contribute to this obligation being violated, with disastrous consequences for workers who have made their goods. For this reason, the WRC and other labor rights advocates have emphasized that brands have an obligation to ensure that severance is paid—if not by the factory’s owner, then by the brands themselves.
The WRC and other labor rights advocates (including trade unions representing affected workers) have, in a growing number of cases, prevailed on brands to ensure that workers are made whole after their employer refused to pay severance. In some of these cases, the brands themselves have provided the necessary funds; in others, brands have responded to pressure by compelling the suppliers to make good on their arrears. In many, though not all, of the cases where remediation has been secured, one or both of these enabling conditions were present: (a) the closed factory was a subsidiary of a larger manufacturing company, which remained in operation and had valuable ongoing partnerships with apparel brands, or (b) one or more of the brands that were buyers from the factory were, themselves, contractually obligated to ensure payment of severance, as a condition of licenses from US universities to produce college logo apparel.

Brands Can Require Factories’ Parent Companies to Pay Severance

An early instance of successful engagement by the WRC and other advocates to rectify nonpayment of severance was the case of the Estofel factory in Guatemala in 2009. After the factory’s closure, university licensee Gear for Sports (Hanesbrands), a former buyer, was prevailed on to require the factory’s former owner, Ghim Li, to pay more than $500,000 to nearly 900 workers.43

Subsequent cases, where the WRC and other advocates have called on brands to require parent companies of closed factories to correct severance theft, have resulted in substantially greater sums paid to much larger numbers of workers. In 2011, Gap and Under Armour were persuaded to require their supplier, Gimmill, to pay $2.6 million in severance owed to 4,000 former employees of the latter’s June Textile factory in Cambodia.44 In 2019, the WRC convinced Gap, Under Armour, and Fanatics to prevail on their supplier, Hojeon, to pay 2,000 employees of the latter’s PT Kahoindah factory in Indonesia, $4.5 million in severance.45

Brands Themselves Can Remedy Severance Theft by Paying Workers

Importantly, in several high-profile cases of severance theft—at factories that were not part of a larger parent company that could be compelled to pay—a number of brands that were buyers from these factories contributed funds themselves to make workers whole. As noted, a key factor in a number of these cases has been that at least one of the buyer brands from the factory was a licensee of US universities and thereby obligated, as a binding term of these licenses, to ensure that all violations committed by its suppliers of licensed goods are corrected.

The first significant instance of a brand committing its own funds to correct large-scale
severance theft was Nike’s payment, in 2010, of the entire $1.54 million in unpaid severance owed to 1,450 former workers of the Hugger and Visontex factories in Honduras, which, prior to their closure, had supplied Nike with university-logo apparel. In other, more recent, cases, contributions to correcting severance theft made by brands that are university licensees have served as a crucial catalyst for other buyers to also provide funds to remediate the violation. Other brands that have made such contributions or caused them to be made on their behalf by buying agents or other intermediaries include adidas, Fanatics, Fruit of the Loom, the Dallas Cowboys, Gap, Gildan, Hanes, Levi Strauss, and Tailgate (American Eagle Outfitters).

In some cases, interventions by the WRC and other labor rights advocates have secured substantial funds from brands for workers owed severance by a former supplier, even when the factory in question had never produced under a university license. For example, in 2013, Jerry Leigh, a maker of Disney-branded apparel, paid nearly $278,000 to make 200 workers whole for unpaid severance owed by its former supplier factory Hawkins Apparel. More recently, in January 2020, Gap, Hanes, and American Eagle paid $1.3 million in severance to 500 workers at their former supplier factory in Guatemala, CSA.

When Brands Resist Accountability for Severance Theft, Justice for Workers Is Delayed and Denied

In many cases, however, efforts to secure remedy for severance theft, even where ultimately successful, have involved protracted, multiyear efforts, during which workers continue to be denied funds that should have been paid on the day of their dismissal—and, as a result, fall into debt and destitution. In January 2011, the PT Kizone factory in Indonesia, which had supplied university licensed apparel to adidas and Nike, closed, owing its 2,800 workers $3.3 million in severance. While partial payment to workers was secured by Nike in reasonably short order, via a contribution by its buying agent, most of the severance owed to workers was not paid until more than two years later, and only after adidas, having been challenged in court by a major university over alleged breach of contract and facing a public campaign by college students around the US, reached a settlement with the workers’ union to pay the $1.8 million still outstanding.

In other cases of mass severance theft, sometimes involving buyers less sensitive to public criticism, remedy remains only partial, or lacking entirely, even a half-decade or more after factories have closed. The PT Jaba Garmindo factory, also in Indonesia, closed in 2015 owing its 4,000 workers more than...
$10 million in unpaid wages and severance and, to date, have received next to nothing. A contribution by one buyer, Jack Wolfskin, owned at the time of the factory’s closure by Blackstone Group, was so small that the average worker received about $10—not even one percent of the money they are due.51 Meanwhile, these workers have yet to receive a single dollar from the factory’s largest buyer, Japan’s Fast Retailing (which owns Uniqlo), despite years of appeals.52

The more than 800 workers at the LD factory in El Salvador, who were owed $2.3 million when the factory closed in 2018, have since received $600,000 from Global Brands Group (Li & Fung), which was a buying agent from the factory for Levi Strauss, PVH, Ralph Lauren, and Walmart. The remaining $1.7 million they are due remains unpaid53 (as is often the case in such debacles within its sprawling supply chain, Walmart has been the most recalcitrant of LD’s buyers).

Not surprisingly, in some cases, unions representing workers who have been waiting months or even years for severance may sign agreements accepting, in lieu of full payment of the amount legally owed, only a modest portion of the arrears. However, the legal right of workers to full payment of severance is, in most leading garment-exporting countries, a statutory entitlement, which is not subject to waiver.54

In addition to these workers, who, despite international efforts to secure remediation, have been permanently cheated of funds they legally earned, are the far greater number of workers whose losses to severance theft have never come to public attention: because they lacked collective representation and external advocates, because there was no independent organization in a position to conduct an investigation and document the violations, or because no major news outlet covered the story.
III. Confirmed Cases of Severance Theft during Covid-19

Given the long history of severance violations in the garment industry, there was reason to fear, from the outset of the pandemic, that the large-scale job loss sure to unfold across the apparel supply chain would be accompanied, in many cases, by theft of workers’ severance. As outlined in this report, this is exactly what has transpired.

The WRC has confirmed severance theft during the last 12 months at 31 garment factories in nine countries. These factories all produce, or produced, for prominent brands and retailers. In all cases, the theft is a violation of national law and of the self-promulgated labor standards of the relevant brands and retailers. Some cases involved the outright closure of a factory; in others, the factory dismissed a substantial portion of its workforce while continuing operations. In the aggregate, these factories deprived 37,637 workers of an estimated $39.8 million in legally due compensation.

Table 2 lists each of the factories where we have confirmed a violation and the brands and retailers that we have identified as clients of that factory. For each case, we indicate whether workers were fired as part of a factory closure or through a substantial workforce reduction (“mass dismissal”). We report the month in which workers lost their jobs; the number of workers affected by the theft; the amount of money in severance and other terminal compensation these workers were owed at the time of dismissal; and the amount that is still unpaid as of March 2021.

As previously outlined, in some cases of severance theft workers receive nothing; in others, partial payment is made, though it typically represents half or less—sometimes much less—of what is owed. In 13 of the 31 cases documented herein, 42 percent of the total, workers have received none of their legally mandated compensation. In another seven cases (23 percent), workers have re-
received less than a quarter of what they were owed. There are six cases (19 percent of the total) in which the amount paid to workers was between one quarter and one half of the amount they legally earned. In only five of the cases (16 percent) have workers received more than half of their legal due.

The Evidentiary Basis for Findings of Severance Theft

In some of the 31 cases, there is no dispute as to the fact of the violation: the brand either explicitly acknowledges that its supplier paid workers less than the law requires or the brand and supplier have failed to contest credible reports to this effect. In other cases, the factory and/or buyers claim that workers have been paid in full, but there is proof to the contrary. Where there is a conflict between factory or buyer claims and the facts in evidence, it is a product either of misinterpretation of the applicable severance laws by the factory and buyers, willful or otherwise, or a false claim by a factory that it paid workers in full, accompanied by the failure of buyers to independently test the veracity of the claim. In cases where the employer does not admit the violation, the evidentiary basis for the WRC’s finding involves at least one, and in most cases two or more, of the following: detailed information from labor unions with a track record of reliability in reporting of labor law violations; interviews conducted by the WRC with affected workers; official factory records; legal filings or agreements related to workers’ terminal compensation; rulings by government bodies; and information provided by buyers themselves.
The WRC has confirmed severance theft during the last 12 months at 31 garment factories in nine countries. In the aggregate, these factories deprived 37,637 workers of an estimated $39.8 million in legally due compensation.

There are also several cases where worker organizations have signed agreements accepting less than workers’ legal due, because they feared that if they held out for full payment, workers would get nothing. As previously noted, this is a common occurrence in the history of severance theft, and it is important to understand that an agreement purporting to absolve an employer of its obligation to meet minimum legal standards is invalid on its face. Such agreements have no more legal legitimacy than an agreement calling for workers to be paid less than the legal minimum wage or granting an employer permission to violate fire safety regulations.

The Process for Identifying Brands and Retailers

The WRC identified the brands and retailers that produce, or produced, clothing at these factories using several methods. In many cases, the information comes from the buyer itself: either the factory appears on the brand’s or retailer’s own public list of suppliers, posted on its corporate website, or in a public database (e.g., Open Apparel Registry) that compiles supplier lists provided by brands to third party organizations. In other cases, the WRC confirmed the buyer-supplier relationship via official US government customs records that document shipments from the factory to the buyer, accessed by the WRC through the proprietary ImportGenius database. In some cases, the information comes from workers themselves, who provided the WRC with credible testimony that they manufactured the brand’s products. Such testimony was accompanied occasionally by photographs of these products or of brand labels, taken by workers inside the factory, or by factory records documenting the presence of the brand. In certain instances, a factory lists the brand or retailer as a client on its website; when this is the original data source, the WRC requires an additional form of confirmation, since factories may list a brand erroneously or continue to list it as a client after the relationship has ended. With respect to many of the buyer-supplier relationships we have enumerated, the brand or retailer has acknowledged the relationship through correspondence with the WRC (or through correspondence with a third party reviewed by the WRC). In any case where the brand or retailer denies the relationship, the WRC has not reported the relationship unless we consider the available proof to be definitive. Where explanation is required as to the basis for the WRC’s determinations, it appears in an endnote.

Because of the obvious interest brands and retailers have in distancing themselves from suppliers implicated in wage theft, it is com-
mon, even when a brand or retailer admits to having used a factory that stole severance from fired workers, to claim that its relationship with the factory ended prior to the theft. Given the cyclical and seasonal nature of apparel production, which means that even a factory’s steadiest customers are often absent from its production lines for months at a time, no brand or retailer can legitimately disclaim responsibility for labor rights violations at a factory if it was producing at the factory at any point within several months of the violations. When a brand or retailer the WRC initially identified as a buyer has persuasively shown that it ended its relationship well before violations occurred, the WRC has omitted that brand in our reporting on that factory.

Estimating the Amounts Owed to Workers

Our figures for amounts owed to workers at the time of dismissal are based on one or more of the following: data provided by government labor agencies; estimates provided by unions or other organizations representing workers; calculations by the WRC drawing on figures or formulae from formal agreements between employers and worker organizations; and figures provided by credible local news sources that had access to information from workers, government officials, or industry trade associations. In any case where the original source was a union or worker organization, or a news outlet, rather than an official government body, the WRC performed its own analysis to verify the reasonableness of the estimate. Where no hard numbers were available, the WRC generated estimates based on the number of affected workers, the laws governing severance and other terminal compensation in the relevant country, and conservative estimates of the average seniority of the affected worker population. In any case where the WRC could not generate an estimate in which we have confidence, we omitted the case from this report. Figures for amounts still owed, versus what workers were owed at the time of dismissal, are derived from credible reports of payments workers have received to date, from worker organizations, from workers themselves, and/or from employers or brands.

In some cases, our figures omit forms of terminal compensation other than severance (for example, accrued vacation) for which we did not have adequate information. In such instances, our figures therefore underestimate the amount workers were due.

Remediation

In all of these cases, the WRC has engaged, is currently engaging, or will be engaging with brands to seek redress of the violations. In many instances, as outlined in the summaries of selected cases following Table 2, workers and/or their organizations are actively pressing for compensation, through public protest, among other means.
Table 2: Confirmed, Unresolved Cases of Severance Theft, with Amounts Legally Owed to Workers

<table>
<thead>
<tr>
<th>Factory Country</th>
<th>Case Type</th>
<th>Number of Workers Dismissed</th>
<th>US$ Owed at Time of Dismissal</th>
<th>US$ Still Owed</th>
<th>Buyers</th>
</tr>
</thead>
<tbody>
<tr>
<td>A-One Bangladesh</td>
<td>Closure</td>
<td>1,400</td>
<td>585,200</td>
<td>585,200</td>
<td>Benetton, Next</td>
</tr>
<tr>
<td>Brilliant Alliance Thai Global Thailand</td>
<td>Closure</td>
<td>1,388</td>
<td>7,810,000</td>
<td>7,810,000</td>
<td>Lane Bryant, Victoria’s Secret</td>
</tr>
<tr>
<td>Crystal Martin Cambodia</td>
<td>Dismissals</td>
<td>2,017</td>
<td>5,446,000</td>
<td>3,905,000</td>
<td>Walmart</td>
</tr>
<tr>
<td>Diganta Sweaters Bangladesh</td>
<td>Dismissals</td>
<td>1,084</td>
<td>260,160</td>
<td>130,080</td>
<td>H&amp;M</td>
</tr>
<tr>
<td>Dignity Knitter and Eco Base Cambodia</td>
<td>Closure</td>
<td>1,129</td>
<td>2,180,000</td>
<td>980,000</td>
<td>Arcadia, Debenhams, John Lewis, Lidl, Mango, Marks &amp; Spencer, Next, Urban Outfitters</td>
</tr>
<tr>
<td>Dragon Sweater Bangladesh</td>
<td>Dismissals</td>
<td>500</td>
<td>168,000</td>
<td>133,200</td>
<td>Lidl, New Yorker, Woolworths</td>
</tr>
<tr>
<td>Dress Master India</td>
<td>Closure</td>
<td>1,200</td>
<td>346,134</td>
<td>346,134</td>
<td>Gap</td>
</tr>
<tr>
<td>Fountain Bangladesh</td>
<td>Dismissals</td>
<td>714</td>
<td>171,360</td>
<td>21,420</td>
<td>H&amp;M, Kontoor</td>
</tr>
<tr>
<td>Garden City Fashions India</td>
<td>Closure</td>
<td>4,500</td>
<td>1,298,005</td>
<td>778,803</td>
<td>C&amp;A, Guess, JCPenney</td>
</tr>
<tr>
<td>Gladpeer Garments Cambodia</td>
<td>Closure</td>
<td>2,000</td>
<td>3,090,000</td>
<td>1,368,000</td>
<td>H&amp;M, Next</td>
</tr>
<tr>
<td>Glory Industries Bangladesh</td>
<td>Closure</td>
<td>600</td>
<td>180,000</td>
<td>175,500</td>
<td>Carter’s, Gymboree, Li &amp; Fung, OshKosh B’gosh</td>
</tr>
<tr>
<td>Hana I Inc. Cambodia</td>
<td>Closure</td>
<td>774</td>
<td>1,080,000</td>
<td>1,015,000</td>
<td>Joe Fresh, The Children’s Place, Walmart, Zara</td>
</tr>
<tr>
<td>Hong Sen Cambodia</td>
<td>Closure</td>
<td>906</td>
<td>497,644</td>
<td>323,645</td>
<td>Next</td>
</tr>
<tr>
<td>Hulu Garment Cambodia</td>
<td>Closure</td>
<td>1,000</td>
<td>4,160,000</td>
<td>3,630,000</td>
<td>adidas, Amazon, LT Apparel Group, Macy’s, Walmart</td>
</tr>
<tr>
<td>Industrias Florenzi El Salvador</td>
<td>Closure</td>
<td>210</td>
<td>1,300,000</td>
<td>1,300,000</td>
<td>Barco, Disney, Pierre Cardin</td>
</tr>
<tr>
<td>Factory/Country</td>
<td>Case Type</td>
<td>Number of Workers Dismissed</td>
<td>US$ Owed at Time of Dismissal</td>
<td>US$ Still Owed</td>
<td>Buyers</td>
</tr>
<tr>
<td>-----------------</td>
<td>---------------</td>
<td>------------------------------</td>
<td>------------------------------</td>
<td>----------------</td>
<td>-------------------------------------------------</td>
</tr>
<tr>
<td>Minikin</td>
<td>Closure</td>
<td>1,500</td>
<td>2,059,759</td>
<td>1,029,879</td>
<td>Calvin Klein, Edwards Garment, Izod, Tommy Hilfiger</td>
</tr>
<tr>
<td>Myanmar Royal Apollo Garment Factory</td>
<td>Closure</td>
<td>500</td>
<td>104,000</td>
<td>74,000</td>
<td>Bestseller, Inditex, Kiabi</td>
</tr>
<tr>
<td>Myanmar</td>
<td>Closure</td>
<td>500</td>
<td>620,000</td>
<td>300,000</td>
<td>Maurices, Variety Wholesalers, YM Inc.</td>
</tr>
<tr>
<td>Poshak Knitwears</td>
<td>Closure</td>
<td>400</td>
<td>120,000</td>
<td>120,000</td>
<td>Lotto, Walmart, Zara</td>
</tr>
<tr>
<td>Propitious Garment</td>
<td>Dismissals</td>
<td>2,400</td>
<td>3,432,000</td>
<td>3,432,000</td>
<td>Artic Imports, Carter’s, PriceSmart</td>
</tr>
<tr>
<td>PT Gunung Salak Sukabumi</td>
<td>Dismissals</td>
<td>300</td>
<td>237,000</td>
<td>237,000</td>
<td>Gap, Target</td>
</tr>
<tr>
<td>PT L&amp;B</td>
<td>Dismissals</td>
<td>100</td>
<td>79,000</td>
<td>79,000</td>
<td>Gap, Justice</td>
</tr>
<tr>
<td>PT Taekwang</td>
<td>Dismissals</td>
<td>1,400</td>
<td>588,000</td>
<td>294,000</td>
<td>Nike</td>
</tr>
<tr>
<td>PT Victory Chingluh</td>
<td>Dismissals</td>
<td>5,549</td>
<td>4,670,000</td>
<td>2,140,000</td>
<td>adidas, Nike</td>
</tr>
<tr>
<td>Rongson</td>
<td>Dismissals</td>
<td>101</td>
<td>37,000</td>
<td>37,000</td>
<td>Elie Tahari, Kohl’s, Vera Bradley</td>
</tr>
<tr>
<td>Royal Knitting</td>
<td>Closure</td>
<td>195</td>
<td>1,062,000</td>
<td>1,062,000</td>
<td>Otto Group, Peter Hahn</td>
</tr>
<tr>
<td>Sangwoo</td>
<td>Closure</td>
<td>2,800</td>
<td>6,400,000</td>
<td>5,145,600</td>
<td>Gap</td>
</tr>
<tr>
<td>Texport Creation</td>
<td>Closure</td>
<td>750</td>
<td>216,334</td>
<td>216,334</td>
<td>Gap</td>
</tr>
<tr>
<td>Vega Textile</td>
<td>Dismissals</td>
<td>300</td>
<td>180,000</td>
<td>180,000</td>
<td>Gap, PVH, Under Armour</td>
</tr>
<tr>
<td>Violet Apparel</td>
<td>Closure</td>
<td>1,284</td>
<td>2,307,936</td>
<td>1,800,829</td>
<td>Matalan, Nike</td>
</tr>
<tr>
<td>V.K. Garment</td>
<td>Dismissals</td>
<td>136</td>
<td>1,138,000</td>
<td>1,138,000</td>
<td>Tesco</td>
</tr>
</tbody>
</table>

**Table 2: Confirmed, Unresolved Cases of Severance Theft (continued)**

| Number of US$ Owed | $51,823,532 | $39,787,624 |

WRC  ■  Fired, Then Robbed  ■  Page 17
Summaries of Selected Cases

The following summaries provide additional information concerning eight of the cases reported in Table 2. These cases are highlighted because the affected workers and their organizations have been engaged in energetic efforts to secure the compensation owed, through public protest and other means. We also include summaries of two additional cases—Elim in Guatemala and Uni Gears in Bangladesh—where the employer failed to pay workers their full severance at the time of dismissal but where engagement with the employer and the brands that used the factory has led to commitments that the arrears will be paid. We excluded these cases from Table 2, because full payment is now pending, but we include them in this section to illustrate that even in cases where workers are ultimately paid what they owed, outside intervention is often necessary to achieve that end.

A-One, Bangladesh

A-One BD Ltd., an Italian-owned supplier to Benetton and Next, located in the Dhaka Export Processing Zone, closed in April 2020 leaving 1,400 workers unemployed. For the first three months of 2020, the factory did not pay workers’ wages. After protesting, they received payment for only two of the three months. In addition, after A-One closed, the factory did not pay workers any of their severance. To date, workers are still waiting for these arrears, which total an estimated $585,200.

Throughout several days and nights in December 2020, over 700 former A-One employees maintained a nonviolent encampment in front of the Dhaka Press Club to bring attention to their plight and demand payment. As is unfortunately commonplace in Bangladesh, the authorities, which have failed to hold the employer accountable for its violation of the law, responded to the workers’ peaceful protest by sending police to attack them. One of the workers, Ashraf Ali, described to the Guardian what happened when the police arrived at 4:30 a.m.: “[A] lot of police came with a water cannon truck and baton charged us as we slept. We were shocked by how sudden it was. Around 30 workers were beaten by police. We didn’t deserve this.”

Next listed A-One as a supplier in its January 2020 public suppliers list. The retailer, however, refuses to acknowledge responsibility for protecting worker rights at this factory, claiming that its last order was completed five months before the factory’s final closure. Benetton says its last delivery was in December 2019; however, Benetton’s website was still listing A-One as a supplier well after the closure. Given that the factory’s wage theft commenced months before it shut its doors, given that Benetton and Next were both using the factory in its final months, and given that both listed the factory as a supplier into 2020, the brands’ denials of responsibility are hollow.
Dignity Knitter Ltd. and Eco Base Ltd. are sister factories in Takhmao City in Kandal Province, Cambodia. They supplied Arcadia, Debenhams, John Lewis, Lidl, Mango, Marks & Spencer, Next, and Urban Outfitters, before closing in April 2020, firing more than 1,100 workers, and failing to pay them $2.2 million in legally mandated compensation.

Workers at these factories report that their wages were repeatedly delayed in the factory’s last months of operation; the late payments began in December 2019. After workers observed company management removing machinery from Dignity Knitter in January 2020, a group of 100 workers began standing guard in shifts in front of the factory, around the clock, to stave off further attempts by management to abscond with equipment (which could be sold to generate money for back wages and severance in the event of a closure). Both factories formally terminated operations in April.92

Dignity Knitter and Eco Base are subsidiaries of GTI Holdings, which is also involved in oil and financial services.93 A publicly traded company on the Hong Kong Stock Exchange, GTI Holdings presumably has the wherewithal to pay workers what they are owed; if it does not, its customers certainly do.

In February 2021, the Kandal Provincial Court oversaw the sale of equipment from the shuttered factories. The money from the sale will be split among the 1,129 workers who have gone unpaid since the closure. After these funds are distributed, the workers will still be owed $980,000.

“It's not much but we have no choice,” 51-year-old Sao Na told local press, of the partial payment she is set to receive. She added, “I feel nothing. I've waited too long.”94 Chhoeut Rany, 37, who worked for 10 years at Eco Base, says she has struggled to fulfill her family's basic needs since the factory closed, “including paying for food every day and sending my children to school.” She continued, “We waited more than a year.”95

John Lewis and Debenhams confirmed to the Business & Human Rights Resource Centre (BHRRC) their relationships with Eco Base and Dignity Knitter, respectively.96 Next told the WRC that it ceased business with Dignity Knitter in 2019, but the company put Dignity Knitter on its publicly available supplier list in January 2020. Mango, Marks & Spencer, and Lidl also included the factory in their supplier lists in 2020. Labels from the factories collected by workers also identified Urban Outfitters as a recent buyer.
Dragon Sweater Ltd., a supplier to Lidl, New Yorker, and Woolworths, fired at least 500 workers—about half its workforce—in March 2020 and failed to pay them an estimated $133,200 in severance. In all, workers received barely a fifth of what they were legally owed.

Since the closure, Dragon Group, which owned the factory, has continuously refused to pay its debts to the workers, although it is obvious that the company possesses the financial capacity to do so. Dragon Group, which owns two additional garment factories, as well as a life insurance company and an information technology firm, is publicly traded on the Dhaka Stock Exchange and employs 12,000 people. In August 2020, Mostafa Sobhan Rubel, the managing director of Dragon Sweaters boasted, “My factories are fully booked until the end of September and my customers have also booked 60 per cent of my capacity from October towards the end of December.”

Workers have carried out numerous protests to press Dragon Group to fulfill its legal obligations. In October 2020, Dragon Group’s answer to its former employees’ efforts to secure the money it legally owes them was to send a goon squad to assault a group of workers engaged in a peaceful protest. According to local news reports, the attack left 12 workers hospitalized.

A September 2020 Dragon Sweater financial statement lists payments due from German retailer Lidl among the factory’s current accounts receivable as of March 31, 2020, indicating that the factory was producing goods for the retailer in early 2020. Lidl refuses to take responsibility, claiming it left in 2019. The Australian company Woolworths is also identified in Dragon Sweater financial statements as a buyer, as is the German brand, New Yorker. The latter has failed to respond to communications concerning its relationship with the factory.

None of these brands (nor any other buyers that may, to date, be unidentified) has stepped forward to take responsibility for ensuring that the workers who sewed their clothes are paid the severance pay they earned while doing so. As a result, workers have now gone for a full year without receiving most of the compensation they were legally owed at the time of their dismissal.
Dress Master, India

Dress Master Apparel Private Ltd., a Gap supplier in Bangalore, India, closed in May 2020, leaving 1,200 workers without $346,134 in legally owed severance. Dress Master was part of the Indian company Raymond Limited, which owns three brands and operates five other subsidiaries.

Reduction of workforce began two months prior when workers report that management encouraged them to resign because the factory had few orders. Due to a government-mandated lockdown, the factory was largely closed for several weeks in March and April 2020, with only a small number of workers at the facility to produce face masks. When the factory reopened on May 17, it called back only half the workforce. Then, in June, workers were told the factory would shut temporarily due to a lack of orders and that they would be rehired when the factory reopened. Nine months later, Dress Master remains closed and, though it paid workers some owed benefits (an annual bonus and accrued leave pay), it has not paid severance.

Gap claims that Dress Master paid the workers in full. However, worker representatives continue to report that workers have not receive a single rupee of severance, and the WRC has concluded that Gap has been misinformed by Dress Master’s owners.

Elim, Guatemala

Elim was a garment factory located in Mixco, Guatemala, that produced apparel for 5th and Ocean, Centric Brands, New Era Cap, Outerstuff, and PVH, among others.

In the fall of 2020, the WRC conducted an investigation at Elim and found egregious violations of workers’ right to freedom of association. These included retaliatory dismissals of workers seeking to unionize, death threats against some of the worker-leaders, and multiple statements by management that workers would be dismissed en masse, or that the factory would close outright, if the workers persisted in their efforts to form a union.

In late November, the WRC pressed Elim to commit to remedial actions to address these violations. One week later, rather than committing to remedies, the company made good on its threat of closure, reporting to buyers that it would permanently cease operations, effective December 19, 2020.

Under Guatemalan law, workers employed at Elim were entitled, upon closure, to payment of severance and unpaid vacation and bonuses. When the factory closed, it made only partial payment of this terminal compensation.

To their credit, Centric Brands (acting as supplier to PVH), New Era Cap, and Outerstuff committed to the WRC and to workers that they would ensure full payment. After completing a process to determine the exact amount of the arrears, the brands pledged to supply approximately $300,000 of their own funds for unpaid severance plus an additional $30,000 to remedy violations of freedom of association documented by the WRC. The brands wired these funds to an escrow account in Guatemala in March 2021. An independent Guatemalan labor rights organization started distributing the funds to workers on March 28.
Hana I, Cambodia

On June 23, 2020, Hana I Inc. declared bankruptcy and announced it would close, claiming financial losses due to the pandemic. Nine months later, the 774 workers it fired have only received $65,000, which included payment for unused annual leave and a portion of the money the factory owes them for its failure to provide advance notice of the factory closure. They are still owed $1,015,000.

Hana I is owned by Hana Global, a Korean factory conglomerate that continues to operate four other factories—one in Cambodia, two in Vietnam, and one in South Korea. In addition to severance and the missing portion of the notice pay, Hana I failed to pay damages, which workers are owed under Cambodian law when a company does not provide evidence of a valid cause for cessation of operations—which Hana I failed to do.

After multiple unsuccessful attempts to negotiate with the company to secure their pay, workers sought the personal intervention of Cambodian Prime Minister Hun Sen. They attempted to march to his house but were blocked by local authorities.

Workers reported to the WRC that they sewed for Joe Fresh, The Children’s Place, Walmart, and Zara. July 2020 import records show shipments headed to Joe Fresh’s parent, the Canadian supermarket chain Loblaw. In addition, Gap acknowledged to the WRC that it sources from the embroidery facility Hana Cambodia Inc., which is also owned by Hana Global. This puts Gap in a position to press Hana Global to pay the workers.

Hong Sen, Cambodia

Hong Sen Textile, a Next supplier factory in Takeo province, Cambodia, suspended operations in August 2020, when its owner fled the country. More than 900 workers were left without an estimated $497,644 in legally owed severance and other terminal compensation.

Hong Sen workers took to the streets in protest. Nop Sokha, who worked at the factory for seven years, said: “They do not pay, but we have expenses.” The factory’s head of administration, Tang Heng, said: “I have not seen [the boss]. We tried to contact him but could not reach him. So we consider him to have run away.”

In October, Hong Sen workers received $138,999, a little more than one-fourth of the arrears, from the proceeds of the sale of materials and equipment left in the factory at the time of closure.

In January, after outreach to Next by the BHRRC and the Cambodian nongovernmental organization CENTRAL, Next made what it calls a “charitable” contribution to the workers. The WRC estimates that the total amount of this contribution was $35,000, which represents about 10 percent of the outstanding arrears. It is positive that Next has taken a degree of responsibility. However, effectively acknowledging an obligation to address the harm to workers, by choosing to contribute, and then making a contribution so small that it covers only a small fraction of the money owed, constitutes a woefully inadequate financial effort by Next, a corporation that reported six billion dollars in revenue in 2020. It remains Next’s responsibility, under its own labor standards, to ensure that the former Hong Sen workers receive the remaining $323,645 they earned making Next’s clothes.
Industrias Florenzi dismissed workers in groups, throughout the winter and spring of 2020, finally ceasing operations in July. The factory failed to pay 210 workers the terminal compensation to which they are legally entitled: Under Salvadoran law, the factory owes the former employees unpaid wages, severance, and unpaid vacation and bonuses, as well as money that it deducted from workers’ paychecks for national healthcare and pension contributions, then unlawfully failed to deposit with these government programs. The Salvadoran Ministry of Labor and Social Welfare has confirmed that the factory owners have not paid these legally required funds.

For many months, the Industrias Florenzi workers pressed the factory’s owner to pay them, with no response. The workers’ efforts culminated in early 2021 when they went on hunger strike for seven weeks.

Industrias Florenzi was a longtime manufacturer of Disney goods, producing for Disney’s licensee, Barco Uniforms, and also made garments for the Pierre Cardin brand. Notably, the decision of Barco Uniforms, which had been producing Disney-branded goods at the factory for more than 15 years, to end its production was a major cause of the plant’s closure. Workers provided testimony to the WRC that orders for Disney-branded Barco products were still being manufactured at the factory as late as December 2019. In January 2020, just one month after the last Disney goods were boxed and shipped, the factory began suspending workers en masse without pay or severance. In March 2020, after the Salvadoran government ordered nonessential businesses to temporarily shut down operations, Industrias Florenzi suspended additional workers, who it never called back. By June 2020, only eight workers were still employed at the factory. The next month, it closed permanently.

The WRC has engaged Disney and its vendor, Barco, as well as Pierre Cardin, to urge these companies to fulfill their responsibility to ensure that the workers receive the estimated $1.3 million they are owed in unpaid wages and severance alone. The WRC will report publicly on the results of this engagement.
Uni Gears Ltd. in Gazipur, Bangladesh, a supplier to Outerstuff employing over 1,000 workers, made significant reductions to its workforce beginning in May 2020. Workers testified to the WRC that they were forced to resign under threat of violence; in Bangladesh, workers who resign are entitled to considerably less terminal compensation than those who are dismissed. Evidence shows that Uni Gears used these forced resignations as a means to try to minimize its severance obligations. The WRC is currently conducting an investigation to identify how many Uni Gears workers were coerced to leave their jobs.

In February 2021, after months of engagement by the WRC with Outerstuff (and, through the brand, with the factory management), Uni Gears agreed to pay full legal severance and notice pay—equal to four months’ wages, plus an additional month’s wages for each year of service—to 11 workers whom the WRC’s investigation identified as having been compelled to resign without payment of severance benefits.

Importantly, the factory has agreed to provide the WRC with a full listing of workers employed by the factory both prior and subsequent to the reduction in workforce—which will allow the WRC to identify other workers who were denied severance pay—and has agreed to then pay those workers that the WRC identifies the full amount they are owed. The WRC will issue a full report concerning this case and Outerstuff’s and Uni Gears’ implementation of their commitments to corrective action, once this process has been completed.
The July 1, 2020, closure of Violet Apparel Co. Ltd. in Phnom Penh, Cambodia—a supplier to Matalan and Nike—left 1,284 workers unemployed. The factory deprived these workers of $1,800,829 in terminal compensation.

Under Cambodian law, workers on permanent contracts, like those employed at Violet Apparel, must be given advance notice between one week and three months before a layoff, depending on their seniority, and, if this does not happen, they are entitled to pay for that period of time. Based on the average seniority of the Violet Apparel workers, management should have given them, on average, two months’ advance notice. However, the factory notified workers only one day before the factory closure and failed to provide any notice pay.

In addition, Cambodian law states that workers are owed damages if they are dismissed without valid reason. While Violet Apparel has claimed it lost orders due to the Covid-19 pandemic, its parent company, Singapore-based Ramatex Group, never provided evidence indicating the necessity to close this particular unit, amongst its 15 production facilities.

“When I heard that Violet closed, I felt like I lost everything I ever thought possible,” Ung Chanthoeun, a garment worker who worked in the factory for 17 years, told ABC News (Australia). Ung has been participating in protests as a union leader since the closure. “It’s hard to get money for my child’s schooling or to pay the bank, or for medical treatment when my family is sick,” she added.

Nike informed the WRC that it has not produced clothes at Violet Apparel since 2006 and that Violet Apparel is not authorized to produce Nike goods. However, workers consistently and credibly testified that they regularly manufactured Nike products in recent years, until shortly before the factory’s closure. Workers provided production records documenting that Nike production was taking place at Violet Apparel in late 2018. The work was being done for Olive Apparel, a Nike supplier that appears on Nike’s public supplier list. Additionally, photos taken by Violet Apparel workers in November and December of 2019 show Nike goods on Violet Apparel’s production lines. Evidence thus demonstrates that Violet Apparel workers sewed clothing for Nike for many years, at least through the end of 2019.

While the WRC recognizes that Olive Apparel may have sent Nike orders to Violet Apparel without the brand’s knowledge, these workers sewed Nike clothes, and they are entitled to the protections of Nike’s labor code. Nike has a responsibility to ensure that these workers are paid for their labor, as does the other identified buyer, Matalan.
Former Violet Apparel workers in Phnom Penh, Cambodia, call for payment of their full terminal compensation.

Photo: CATU
IV. Evidence of Broader Violations and Estimates of the Scope of Severance Theft across the Apparel Supply Chain

The WRC has been working, since the initial weeks of the pandemic, to catalogue garment factory closures and other mass dismissals and to gather evidence as to whether affected workers received their legally mandated terminal compensation. We have built a data set of 400 factories where we have been able to confirm a closure or mass dismissal (defined as the firing of 50 or more workers) since March 2020. Our estimate for the total number of garment workers dismissed by these 400 employers is 284,986.

We have sought information concerning payment of severance in all of these cases. In 312 cases, we have been able to gather information sufficient to provide an initial indication as to whether severance was properly paid (in the other 88 cases, insufficient data were available). Among this group of 312 factories, there are 248 cases where our research yielded either proof of unpaid severance or initial evidence of such a violation. There were also 64 cases where we found either proof of full payment or initial evidence indicating full payment.

Of the 248 factories with initial evidence of a violation, we were able to pursue sufficient investigation in 38 cases to reach a definitive conclusion. We found violations in 33 cases (the 31 reported in Table 2 and two

Figure 2: Incidence in WRC Data Set of Factory Closures vs. Mass Dismissals

- Factory Closures
- Mass Dismissals (at factories still operating)
cases—Uni Gears and Elim—where a violation was confirmed and the WRC's subsequent intervention recently resulted in brand commitments to pay workers, enabling us to now assign those cases as on track to be paid in full. In the five other cases, we determined that workers had been paid properly. Table 3 provides a breakdown of the 400 factories in the data set, and corresponding estimates of the number of dismissed workers, according to each factory's payment status.

### Projecting Total Severance Theft across the 400 Factories in Our Data Set

We have been unable to pursue further investigation of the remaining 210 factories where initial evidence indicates a severance violation; we can, however, make projections as to how many of these cases involve actual violations and how much the affected workers are owed. We can do this by applying the **rate of confirmation** among the sample of cases we have been able to investigate—i.e., the percentage of factories with initial evidence of a violation where subsequent investigation confirmed the violation—to the broader data set. As outlined above, of 38 factories with initial indications of a violation, 33 were confirmed upon further investigation to be perpetrators of severance theft: an 86.8 percent rate of confirmation. Among the 210 factories where there is evidence of a violation but no firm conclusion to date, we can therefore project that a confirmed violation would be identified, if further inquiry were undertaken, at 86.8 percent—182 out of 210 factories. The actual number of cases with violations may well, of course, be somewhat higher or somewhat lower, but our recent research points to this figure as the best available estimate. This high rate of confirmation is also consistent with the WRC's historic experience investigating severance theft, over many years: in the vast majority of cases where a worker complaint, investigation confirmed the violation—to the broader data set. As outlined above, of 38 factories with initial indications of a violation, 33 were confirmed upon further investigation to be perpetrators of severance theft: an 86.8 percent rate of confirmation. Among the 210 factories where there is evidence of a violation but no firm conclusion to date, we can therefore project that a confirmed violation would be identified, if further inquiry were undertaken, at 86.8 percent—182 out of 210 factories. The actual number of cases with violations may well, of course, be somewhat higher or somewhat lower, but our recent research points to this figure as the best available estimate. This high rate of confirmation is also consistent with the WRC's historic experience investigating severance theft, over many years: in the vast majority of cases where a worker complaint,

### Table 3: Payment Status at Factories in WRC Data Set

<table>
<thead>
<tr>
<th>Payment Status</th>
<th>Number of Factories That Terminated at Least 50 Workers or Closed Outright</th>
<th>Number of Workers Who Lost Their Jobs (estimate)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Violation Suspected</td>
<td>210 (67%)</td>
<td>143,805</td>
</tr>
<tr>
<td>Violation Confirmed</td>
<td>31 (10%)</td>
<td>37,637</td>
</tr>
<tr>
<td>Full Payment Indicated</td>
<td>71 (23%)</td>
<td>50,040</td>
</tr>
<tr>
<td>Total</td>
<td>312*</td>
<td>231,482</td>
</tr>
</tbody>
</table>

* Note: Excludes 88 factories in the data set for which insufficient information about payment status is available.

The WRC’s data set represents only a modest fraction of mass firings during the pandemic; globally, several million garment workers have lost their jobs.
or evidence from another source, has indicated the presence of a violation at a factory, further investigation has confirmed that a violation occurred.

We can estimate the total amount of unpaid severance among these projected cases of severance theft by applying the average arrears per worker, derived from the confirmed cases of theft, to the average number of dismissed workers per factory. The average number of dismissed workers per factory is 685. There are 182 projected cases with a violation. This yields a projected population of affected workers totaling 124,670. The average per-worker arrears are $1,057. The total amount of projected severance theft is therefore $131.8 million.

Adding these figures to the confirmed totals among the 31 cases reported in Table 2, yields a combined total of 162,307 confirmed or projected victims of severance theft, owed an estimated $171.5 million in unpaid compensation, across our 400-factory data set.

**Average arrears are more than a thousand dollars—about five month’s wages for the typical garment worker.**

We estimate that our data set represents no more than one-tenth of factories that have closed or otherwise dismissed a substantial number of workers over the last 12 months. The basis for this estimate is a comparison of the WRC’s sample of factories to data points indicating the full scope of garment factory closures and job loss at the national and global level. For example, the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), the leading trade association for Bangladeshi garment producers, reports 317 factory closures among its membership. The WRC’s data set of closed factories, however, includes only 48 in Bangladesh. Similarly, the number of closed Cambodian facilities in our data set is 19; according to the Cambodian Ministry of Labour and Vocational Training, 129 garment factories closed in Cambodia in 2020. At the same time, these two countries are strongly overrepresented in our data, because they have active garment unions and local media that report energetically on garment industry affairs. China is by far the largest garment producer globally, has thousands of garment factories, and was hit hard by the pandemic, particularly in early 2020; however, there are no independent unions, and the media, sharply constrained or directly controlled by the state, rarely report on problems at individual export factories. Our data consequently include only eight Chinese factories. Globally, there are tens of millions of garment and textile workers. The Fair Labor Association (FLA), which works with brands to monitor labor

---

**Estimating Severance Theft across the Global Apparel Supply Chain**

Our sample of factories that have closed or dismissed a substantial number of workers is, of course, a small subset of all such cases across the tens of thousands of factories that comprise the global apparel supply chain. The $171.5 million in unpaid severance we estimate is, therefore, a small fraction of the total owed to garment workers worldwide.
conditions in their supply chains, reports that employment levels had declined by an average of 12 percent across all factories the organization visited during 2020.120 Even assuming that some of the reduction was achieved through reduced hiring, the FLA data, and the other data points noted above, point to the conclusion that several million garment workers have lost their jobs during the pandemic. The WRC’s overall data set includes an estimated 285,000 workers.

There is reason to assume that factories where severance was not properly paid are overrepresented in our data set: among our key sources for identifying cases of closure and mass dismissal are reports from workers who have gone unpaid and from labor unions and journalists responding to outcry from such workers. At the same time, there is also reason, beyond the historical prevalence of severance theft discussed in Section II of this report, to believe that such theft has been quite common in the apparel supply chain over the last year: for example, a global garment worker survey conducted by the WRC in August and September of 2020 found that 70 percent of the workers who had lost their jobs reported receiving less than their full severance.121

Even making the conservative assumption that severance violations occurred two or three times as often at the factories in our data set as they have in the industry glob-
ally, our data would still represent no more than a fifth to a third of the global total of unpaid severance.

Extrapolating from the projected $171.5 million in stolen severance at the factories in the WRC’s sample, we therefore estimate that total severance theft during Covid-19, across the supply chains of global brands and retailers, is between $500 million and $850 million. The true amount workers are owed may well be larger; plausibly, it is in excess of one billion dollars. And the pandemic isn’t over.
V. What Will It Take to End Chronic Theft of Garment Workers’ Terminal Compensation?

No workable cure for the supply chain-wide malady of severance theft can depend on case-by-case resolution of violations. A sustainable solution cannot rely on the ability of unions or international advocacy groups to mount ad hoc pressure on brands at one factory after another nor on the decision of any particular brand to accede to that pressure.

Efforts to secure promises from brands to improve their voluntary monitoring schemes will not yield systemic change. Brands have had more than two decades to show that voluntary corporate codes and monitoring are capable of protecting garment workers from severance theft, and they have succeeded in demonstrating the opposite. As long as suppliers’ failure to make financial provision for accrued severance liability continues to yield price savings for brands and retailers, no voluntary solution will alter behavior within the supply chain.

Bringing an end to the protracted spree of post-dismissal thievery at the world’s apparel factories requires a supply chain-wide solution, grounded in legally enforceable commitments from brands and retailers. This solution must be designed to guarantee that when workers’ entitlement to severance is triggered, the money they are due will be readily available and safely protected from plunder by a greedy or financially desperate employer.

Labor unions and advocacy organizations have recently proposed a binding agreement to prevent severance theft that meets these criteria. The proposed agreement would create a global Severance Guarantee Fund (“the Fund”), financed by mandatory payments from signatory brands and retailers. In any case involving the termination of a large number of garment workers at a factory supplying a signatory company where an employer fails to pay severance, and cannot be compelled to do so, the Fund would draw on its resources to step in swiftly and make workers whole. In addition to providing this guaranteed financial backstop at the factory level, the Fund would allocate resources to support efforts by national governments to create or strengthen public systems of unemployment insurance or related income support—consistent with a labor movement-led global push amidst the pandemic, for stronger social protection for workers across all industries.
Signatory brands and retailers would be assessed dues in the form of a price premium on each order they place with a supplier, quantified as a percentage of the price paid to the supplier (commonly referred to as “freight on board,” or FOB). The WRC calculates that the program could be fully funded by a premium that would cost brands less than 10 cents on a typical t-shirt or comparably priced product.126

The program would be governed and enforced in a manner similar to the governance and enforcement structures of the Accord on Fire and Building Safety in Bangladesh—the binding agreement between labor unions and more than 200 apparel brands and retailers that has overseen a sweeping transformation of the safety infrastructure of that country’s massive garment industry. Union and brand representatives would share oversight of the program, and the unions would have the right to take a brand that breaches its commitments to binding arbitration. Factory owners would face strong pressure to make proper provision to pay severance: signatory brands would be obligated not to do future business with any factory owner whose failure to pay workers triggers payments from the Fund. This obligation not to patronize non-compliant suppliers is the dynamic that has driven the effectiveness of the Bangladesh Accord.

A Severance Guarantee Fund, backed by an enforceable contract between brands and worker representatives, is the only viable means to end the persistent severance theft that has plagued garment workers throughout the existence of the contemporary apparel supply chain.

The WRC calls on all apparel brands and retailers named in this report to act swiftly to remedy the individual cases of severance theft enumerated herein. We also urge these brands and retailers, and others, to assent to the proposal of unions and labor rights advocates to create a Severance Guarantee Fund.
A Final Note

This report addresses one category of labor rights violations, in the context of a crisis that has seen a plethora of abuses visited upon the world’s garment workers. Indeed, in many of the cases discussed in this report, severance theft has been accompanied by other rights violations, including anti-union retaliation, theft of wages prior to termination, and/or physical assault in response to lawful protest. Meanwhile, millions of garment workers, including those who have lost their jobs and many who have remained employed but lost hours and income, are struggling merely to feed their families—a struggle made much more difficult, for many workers, by the severance theft we have described. This report does not include substantial analysis or discussion of other categories of labor abuses, either at the factories where we have identified severance theft or more broadly. Nor have we addressed in depth the broader humanitarian crisis that is unfolding in the apparel supply chain. Those abuses and this broader crisis, while outside the scope of this document, merit urgent attention and action.
ENDNOTES


7 Adidas’ net income for the 12 months ending December 31, 2020, was $509 million; Amazon’s net income for the 12 months ending December 31, 2020, was $21.331 billion; H&M’s net income for the 12 months ending November 30, 2020, was $343 million; Inditex’s net income for the 12 months ending January 31, 2021, was $1.59 billion; Next’s net income for the 12 months ending January 31, 2021, was $457 million; Nike’s net income for the 12 months ending February 28, 2021, was $3.428 billion; Target’s net income for the 12 months ending January 31, 2021, was $4.368 billion; Walmart’s net income for the 12 months ending January 31, 2021, was $13.510 billion; “Income Statement” accessed March 28, 2021, https://finance.yahoo.com/lookup. For updated minimum wages by country, see: WageIndicator Foundation, https://wageindicator.org/.


See Table 1.

ILO, Convention 158 (Termination of Employment, 1982) and Recommendation 166 (Termination of Employment, 1982).


Bangladesh Labour Act, Art. 20.

Bangladesh Labour Act, Arts. 20, 26.

Bangladesh Labour Act, Art. 117(1)(a) and 2013 Labour Law, Rule 107.

Cambodian Labour Law, Arts. 89-90.

Cambodian Labour Law, Art. 73.

Cambodian Labour Law, Art. 75.

Cambodian Labour Law, Art. 73.

Salvadoran Labor Code, Art. 58.


Dominican Labor Code, Article 82.

Dominican Labor Code, Article 80.

Dominican Labor Code, Article 76.

Indian Industrial Disputes Act 1947, § 25(F).

Indian Industrial Disputes Act 1947, § 25(F).


Indonesian Law on Manpower, Articles 156 and 164-165.

Indonesian Law on Manpower, Articles 163(2) and 164(3).


Jordanian Social Security Law, Article 70(B).

Myanmar Employment and Skills Development (“ESD”) Law, 2013, § 5, and ESD Notification No. 84/2015.

Myanmar Employment and Skills Development (“ESD”) Law, 2013, § 5, and ESD Notification No. 84/2015.


E.g., WRC, Information concerning Nike’s Indonesia Production, November 7, 2018, https://www.workersrights.org/communications-to-affiliates/information-concerning-nikes-indonesia-production/; Mark Anner and WRC, Abandoned?

WRC, “WRC Comments on adidas’ Recent Communication to Universities Concerning Labor Rights Violations at PT Kizone.”


WRC, Assessment: LD El Salvador, June 27, 2019, https://www.workersrights.org/factory-investigation/ld-el-salvador/; E.g., Cambodian Labour Law, Art. 13 (“The provisions of this law are of the nature of public order … Consequently, all rules resulted from … a contract … that do not comply with the provisions of this law or any legal text for its enforcement, are null and void.”).

The Open Apparel Registry collates factory lists into a central, open-source map, listing factory names, addresses, and affiliations; see: https://openapparel.org.

The ImportGenius global trade database provides access to records, obtained from the US Customs and Border Protection’s Office of Trade, for imports into the US at the bill of lading level, including importer, overseas factory, product, date of arrival, port of entry, and other shipment details; see: https://www.importgenius.com.

A-One BD Ltd. was a sewing facility located at Plot #114-120, Dhaka Export Processing Zone, Ganakbari, Savar, Bangladesh, which, along with First Textile Ltd. in Gulshan, Bangladesh, is associated with the Italian wholesaler Tessival s.r.l. Next included A-One in its January 2020 publicly disclosed supplier list, and Benetton listed the factory in the supplier list available on its website in February 2021.

Brilliant Alliance Thai Global Ltd., a lingerie production facility located at 393 Moo 17, Bangsaonthong Sub-Division, Bangsaothong District, Samut Prakan, Thailand, was formerly known as Body Fashion and belonged to Triumph International. L Brands’ May 2020 supplier disclosure listed the factory as part of Hong Kong-based Clover Group International, which operates lingerie factories in Cambodia, China, and India. L Brands’ publicly available supplier list accessed on March 13, 2021, listed Clover Group’s Dongguan factory. Workers described Victoria’s Secret (part of L Brands) in a public interview as among the factory’s buyers. January–March 2020 shipment records indicate production for Lane Bryant, which Sycamore Partners bought from Ascena Retail Group in December 2020. According to the Labour Protection and Welfare Office in Samut Prakan, Brilliant Alliance Thai Global must pay 242.22 million baht ($7.81 million) in compensation to the workers within 30 days or face a criminal lawsuit; see: Nanchanok Wongsamuth, “Thailand orders lingerie maker to compensate workers in rare case,” Reuters, March 24, 2021, https://www.reuters.com/article/us-thailand-workers-pay-idUSKBN2BG22K.

Crystal Martin (Cambodia) Ltd., a sewing facility located at Vihear Sour Choueng, Vihear Suork Commune, Khbach Kandal District, Kandal Province, Cambodia, is one of the 20 manufacturing facilities across five countries owned by Crystal International Group Limited, which employs 80,000 people. Crystal International is incorporated in Bermuda and trades on the Hong Kong Stock Exchange. Walmart acknowledged in a January 2021 email to the WRC that Crystal Martin is a Walmart supplier. Import records indicate that brands doing business with the factory’s parent company, Crystal International Group, include Gap Inc., Third Love, and Uniqlo.
Diganta Sweaters Ltd., a sewing facility, is located at Naoujoor, Tangail Road, Chandana Chowrasta, Gazipur, Bangladesh. H&M listed the factory in its November 2020 and February 2021 supplier lists. In a January 2021 letter, H&M told the WRC that following strikes and temporary closure of the factory, the dismissed workers received payments under a tripartite agreement. The WRC has reviewed this agreement and finds that it provided for only part of the terminal compensation benefits that workers are legally owed.


Dragon Sweater & Spinning Ltd., a sweater manufacturing facility, located at Chandul, Miah Bazar, Chowddahagram, Comilla, Bangladesh, is a subsidiary of Dragon Group, which trades on the Dhaka Stock Exchange and owns two other manufacturing facilities—Imperial Sweater (BD) Ltd. and Perag Socks Industries Ltd.—as well as a life insurance company and an information technology company. The Dragon Sweater & Spinning Ltd.'s 2020 audit report shows business relationships with Lidl, New Yorker, and Woolworths.

Dress Master Apparel Private Ltd., a sewing facility located at Plot No. 76 & 77, 6th Main, 3rd Phase, Peenya Industrial Area, Bangalore, India, is a subsidiary of the Indian company Raymond Limited, which owns three brands—Premium Apparel, Park Avenue, and Parx—and the subsidiaries JK Files (India) Ltd., JK Talabot Ltd., Everblue Apparel Ltd., Pashmina Holdings Ltd., and Celebrations Apparel Ltd. Raymond Limited is traded on India's BSE and NSE stock exchanges. Gap Inc. acknowledged to the WRC that Dress Master was a Gap Inc. supplier.

Fountain Garments Manufacturing Ltd., a sewing facility located at 61-62, Gazirchat, DEPZ Road, Ashulia, Savar, Dhaka, Bangladesh, is a subsidiary of Rabab Group, which owns two other factories in Bangladesh. H&M listed the factory in its November 2020 and February 2021 supplier lists. Kontoor Brands included it in its June 2020 and November 2020 disclosures. In a January 2021 letter, H&M told the WRC that the dismissed workers received payments under a tripartite agreement. The WRC has reviewed this agreement and finds that it provided for only part of the terminal compensation benefits that workers are legally owed.

Garden City Fashions, a sewing facility, was located at #84, Industrial Suburb, Yeshwanthpur, Bangalore, India. The Garment and Textile Workers Union (GATWU) informed the WRC that workers reported sewing for C&A and JCPenny. C&A’s April 2020 disclosure included Garden City Fashions Units II, III, IV, and V. Import records show shipments for Guess through April 2020. On its website, Garden City Fashions states that its key partners are C&A, Guess, Debenhams, Cecil, Next, Forever 21, Esprit, Mufti, and Dunnes Stores; see: Garden City Fashions, “Customers,” accessed March 30, 2021, http://gardencityfashions.com/index.html.

Gladpeer Garments Factory Ltd., a sewing facility, located at NR 4, Phnom Prey Pring, Chaom Chau 1 Commune, PursenChey District, Phnom Penh Province, Cambodia, was a subsidiary of Hong Kong-based Gladpeer Development Ltd., which lists Abercrombie & Fitch, H&M, Mango, and Puma on its website as clients, among others; see: Gladpeer Development Ltd., “Clientele,” accessed March 30, 2021, http://www.glidepeer.com/customer.htm. Gladpeer Development Ltd. owns another factory in Cambodia (Anful Garments Factory Ltd.) and two in China (in Dongguang and Guangxi). Next's July 2020 supplier list and H&M's March 2020 supplier list included Gladpeer Garments Factory (Cambodia) Ltd. Next told the WRC in December 2020 that its final shipment from the factory was in March 2020. H&M told the WRC in January 2021 that the factory is not currently among its suppliers but did not indicate whether Gladpeer Garments was previously a supplier. Import records, however, show a June 2019 shipment by Gladpeer Garments Factory (Cambodia) Ltd. of H&M clothing to the US.

Glory Industries Ltd., a sewing facility located at Plot 7/A, Sholosahar Light Industrial Area, Bayazid Bostamy, Nasirabadh, Chattogram, Bangladesh, was part of the Sunman Group. Mapped in Bangladesh lists Carter's, Gymboree (owned by The Children's Place), Li & Fung, and OshKosh B'gosh (owned by Carter's) as buyers (updated October 3, 2020; accessed March 7, 2021); see: https://map.rmg.org.bd/factories/3277. Mapped in Bangladesh (MiB) is a research initiative of Brac University, focused on transparency in the country’s garment sector. The initiative uses information from multiple sources (government data, employer records accessed via onsite visits, employer sur-
Hana I Inc. was a sewing facility located at Phum Tropeng Crosang, Khan Posenchey, Phnom Penh, Cambodia, owned by Hana Global, a Seoul-based apparel manufacturer that operates four other factories—one in Cambodia, two in Vietnam, and one in South Korea. Import records indicate shipments from Hana I to Loblaw's in June 2020 and The Children's Place in November 2019. Workers reported in interviews that they produced for Zara (Inditex), Joe Fresh (Loblaws), The Children's Place, and Walmart. Gap Inc. told the WRC in January 2021 that it works with Hana Cambodia Inc., an embroidery facility owned by Hana Global located at Phum Angkeo, Khum Kantokk Srok, Ang Snou, Phnom Penh.

Hong Sen Textile (Cambodia) Co. Ltd., a sewing facility located at Trapeang Ang Village Rokadreo Commune Dounkeo District Takeo Province, was run by the same Chinese owner as Yuan Da Rong Fong (Cambodia) Textile Co., Ltd., which also closed. Next's July 2020 disclosure listed Hong Sen. In a December 2020 letter to the WRC, Next said it had "established some means of support to those who have been impacted by this illegal action." Based on information received from the workers, the WRC estimates the amount still owed to Hong Sen workers is between $318,645 to $328,645. In Table 2, we use the midpoint of that range.

Hulu Garment Co. Ltd. was a sewing facility located at Phum Chak Chrouk, Sangkat Samrong Kram, Khan Posenchey, Phnom Penh, Cambodia, owned by the Chinese company that develops, manufactures, and markets branded clothing lines such as adidas Kids, Carhartt for Kids, and French Toast for retail stores. Import records indicate the factory supplied Edwards Garment in July 2020 and Centric Brands, a licensee of PVH, in June 2020. According to worker reports, they sewed clothing under several different PVH brands: Calvin Klein, Izod, and Tommy Hilfiger.

Myanmar Royal Apollo Garment Factory was a sewing facility located at Shwe Pyi Thar township, Yangon, Myanmar, owned by a Chinese national. Workers report they sewed clothing for Inditex and also for Bestseller and Kiabi, as a subcontractor of Guotai Guohua Garment (Myanmar) Co. Ltd., which is owned by Jiangsu Guotai Guohua Shiye, a Chinese company that invests in commodity contracts, tax liens, and venture capital companies. Documents on file with the WRC show that Royal Apollo is a subcontractor of Vent d'Est Garments Co. Ltd., another Bestseller supplier. Bestseller claimed in a January 2021 email to the WRC that it has no relation with Myanmar Royal Apollo.

New Best Global Textile Co. Ltd. was a sewing facility located at Building #C12, Phum Trapeang Romchek, Sangkat Chom Chao, Khan Porsenchey, Phnom Penh, Cambodia. In 2014, Roo Hsing Group gained a controlling interest in the factory, with three seats on the Board of Directors. Import records show New Best shipments in February 2020 to YM Inc., in January 2020 to Variety Wholesalers, and in January 2020 to Maurices (acquired in 2019 by OpCapita from Ascena). Primark stated to the WRC that it received its last order from New Best Global Textile in September 2019 and that the factory ceased to be an approved supplier prior to Covid-19. Primark also claimed that the site's landlord paid workers in line with local legal requirements. However, the WRC found that the workers only received part of the terminal compensation they are legally owed.

Poshak Knitwears Ltd., a sewing facility, was located at Samir Plaza, DEPZ Tongi-Ashulia Road, Jamgara, Ashulia, Dhaka. Mapped in Bangladesh (a research initiative of Brac University described previously) lists Lotto, Walmart, and Zara (owned by Inditex) as buyers (updated February 9, 2019; accessed March 8, 2021); see: https://map.rmg.org.bd/factories/115.

Propitious (Cambodia) Garment Ltd., located at St.21, Phumi Thmei, Takhmao town, Kandal Province, Cambodia, is associated with Tak Fook International Trading Ltd., a Hong Kong-based garment wholesaler. Import records indicate shipments to Vancouver-based Artic Imports Ltd. from January to September 2020, Carter's (OshKosh B'Gosh and The Genuine Canadian Corporation) in January and April 2020, and PriceSmart in January 2020.
PT Gunung Salak Sukabumi, a sewing facility located at Kp Pasir Dalem, Desa Babakan Pari, Kecamatan Cidahu, Kabupaten Sukabumi, Jawa Barat, Indonesia, is owned by Seoul-based Nobland International, which has a garment facility subsidiary in South Korea and lists JCPenney, Gap, Old Navy, and Target among its customers. Target listed PT Gunung Salak Sukabumi in its February 2021 supplier list and Gap Inc. listed the factory in its March 2020 disclosure. Gap Inc. claimed in a January 2021 letter to the WRC that 45 workers resigned (and that the majority of them did so due to their contracts ending or voluntary departure) and that it reviewed records showing those workers were paid according to local law. Information provided by workers demonstrates, however, that 300 workers were terminated and that these workers had been employed illegally on multiple short-term contracts and therefore, per applicable law, are owed the same severance entitlements as if they had been properly classified as regular employees.

PT L&B, located at Kp. Sundawenang Rt30/Rw12, Desa Sundawenang Kec., Parungkuda, Sukabumi Jawa Barat, Indonesia, is owned by Seoul-based Lee and Co., Ltd., which has over 5,000 employees across its production mills in Vietnam, Indonesia, the Philippines, and Guatemala. Lee and Co. lists, among its clients, Express, Kohl’s, Lands’ End, Macy’s, and Madewell; see: Lee & Co, “Client Info,” accessed March 30, 2021, http://www.lee-co.co.kr/eng/business2.php. PT L&B workers report producing for Gap Inc. (Gap and Old Navy labels) and Justice (acquired by Bluestar Alliance from Ascena in November 2020). Gap told the WRC in a January 2021 letter that it had verified, based on document review, that 123 workers who resigned in April 2020 (108 of whom were at the end of their contracts) were paid in accordance with local law. Evidence demonstrates, however, that the workers had been employed illegally on multiple short-term contracts and therefore, per applicable law, are owed the same severance payments as if they had been properly classified as regular employees.

PT Taekwang, a footwear factory that produces for Nike, is located at Jl. Raya Cinangsi, Karanganyar, Kec. Subang, Kabupaten, Subang, West Java, Indonesia. The factory is owned by Taekwang Industrial Co., Ltd, which is headquartered in South Korea and employs over 90,000 people in Vietnam, Indonesia, China, and South Korea in industries including footwear, chemical and materials production, and electricity. The footwear segment of Taekwang Industrial Co. industries primarily supplies Nike; the company also supplied textiles to Chementry Industries Inc., Fils Promptex Yarns Inc., JJB Inc., JYK Trading Inc., and KNG Textile within the last year. In a January 2021 letter to the WRC, Nike acknowledged it has sourced from PT Taekwang and claimed that severance was paid in full. Indonesian law requires, however, that unless an employer proves that workers’ dismissal was necessitated by at least two successive years of economic losses, or by force majeure, the employer must pay workers two times the ordinary severance entitlement. PT Taekwang did not provide proof to the workers’ union of two years’ economic losses, nor a claim of a force majeure incident; therefore, by law, workers are owed two times ordinary severance. They received only one times ordinary severance.

PT Victory Chingluh, a footwear factory located at Tangerang, Banten, Indonesia, is owned by the Taiwan-based Ching Luh Group. Ching Luh Group employs over 78,000 people in Taiwan, China, Vietnam, and Indonesia, and manufactures athletic clothing for brands that include adidas, Nike, Reebok, and Mizuno; see: Chingluh, “Partners,” accessed March 30, 2021, http://www.chingluh.com/en/who-we-are. Import records throughout 2020 and early 2021 show shipments for adidas. In a January 2021 letter to the WRC, Nike acknowledged it has worked with PT Victory Chingluh and claimed that severance was paid in full. Indonesian law requires, however, that unless an employer proves that workers’ dismissal was necessitated by at least two successive years of economic losses, or by force majeure, the employer must pay workers two times the ordinary severance entitlement PT Victory Chingluh did not provide proof to the workers’ union of two years’ economic losses, nor a claim of a force majeure incident; therefore, by law, workers are owed two times ordinary severance. They received only one times ordinary severance.

Rongson (Myanmar) Co. Ltd., located at No. 26 Bloc, Myay Tine Ward No. (1), Industrial Zone 1, Dagon Seikkan Township, Yangon Region, Myanmar, was a Chinese-owned leather goods facility. Workers reported that they produced goods for Vera Bradley, Kohl’s, and Westport, a licensee of Elie Tahari. Gap Inc. claimed in a January 2021 letter to the WRC that 45 workers resigned (and that the majority of them did so due to their contracts ending or voluntary departure) and that it reviewed records showing those workers were paid according to local law. Information provided by workers demonstrates, however, that 300 workers were terminated and that these workers had been employed illegally on multiple short-term contracts and therefore, per applicable law, are owed the same severance entitlements as if they had been properly classified as regular employees.

Royal Knitting Co. Ltd., located 15/19 Ratchakarnratdamri 1 Rd., Mae Sot, Mae Sot District, Tak Province, Thailand, was a subcontractor of Yamaken Apparel Ltd. registered at the same address and with the same board of directors as Yamaken. The Thai Department of Labour Protection and Welfare ordered Royal Knitting to pay unpaid wages and terminal compensation to the workers, but it failed to comply. Otto Group listed Yamaken Apparel Ltd. in its March 2020 and October 2020 supplier disclosure. Labels furnished by Royal Knitting workers included multiple Otto Group brands—Rick Cardona by Heine and Ashley Brooke by Heine—and Peter Hahn GmbH, owned by Tri-Style Group.

Sangwoo (Cambodia) Co. Ltd., a sewing facility located at NR 4, Trapang Veng, Trapeang Kong Commune, Samran Tong District, Kampong Speu Province, Cambodia, is owned by Sangwoo, headquartered in Bucheon, South Korea. Sangwoo operates four other factories in three countries (Indonesia, the Philippines, and Vietnam) and lists
C&A, Gap Inc., Inditex, Lands’ End, and Walmart as “selected clients”; see: Sangwoo, “About Us,” accessed March 30, 2021, http://www.sangwoo.com/about_us.html. Gap told the WRC in a January 2021 letter that it had verified that severance payments have been made to the workers, via review of payment records and other documents. The WRC found that the workers received only partial payment and did not receive the damages they were owed under Cambodian law.

Texport Creation was a sewing facility located at No. 26/1, A2, 26/1, B2, TM Industrial Estate, Kenchenahalli, R.R Nagar, Mysore Road, Bangalore, India. Gap told the WRC in a January 2021 letter that it had verified the severance calculation statements for each worker and documents signed by workers stating that the severance had been paid, and Gap had concluded that all conditions were properly provided. Evidence shows that workers received other terminal compensation but were not paid severance.

Vega Textile Ltd., a supplier to Gap Inc., PVH, and Under Armour, located at Al-Hussein Bin, Abdullah II Industrial Estate, Al-Karak, Jordan, is owned by a Taiwanese company, UIC/United Fashion/Skytrend. The firm owns at least one other factory in Jordan and two in Cambodia and employs sizable numbers of Cambodian, Burmese, and Sri Lankan migrant workers. The Jordanian Ministry of Labor ordered Vega Textile to pay compensation equal to three months’ wages to 300 migrant workers who were stranded in Jordan after their employment contracts expired during the government-imposed lockdown, but the factory failed to comply with this order. Gap and PVH have acknowledged to the WRC that Vega Textile was a supplier. Under Armour listed Vega Textile in its December 2019 supplier list.

Violet Apparel (Cambodia) Co. Ltd., a sewing facility located at No. 1A, Street 271, Phum Trapeang Chhouk, Sangkat Tek Thla, Khan Russei Keo, Phnom Penh, Cambodia, was owned by Singaporean and Malaysian conglomerate, Ramatex. According to information from workers, there were three recent buyers: Nike, C&A, and Matalan. The BHRRC reports that Violet Apparel produced for Carter’s; however, Carters did not respond to the BHRRC’s inquiries; see: Alysha Khambay and Thulsi Narayanasamy, Wage theft and pandemic profits: The right to a living wage for garment workers, BHRRC, March 2021, https://media.business-humanrights.org/media/documents/Unpaid_wages_v6.pdf. Matalan disclosed Violet Apparel in its February 2020 supplier list. C&A told the WRC in a March 2021 letter that it had used the factory via its former supplier, Gimmill, with which it ended its business relationship in July 2019. The BHRRC posted a similar response from C&A in October 2020; see: “C&As response re. Violet Apparel,” BHRRC, October 19, 2020, https://www.business-humanrights.org/en/latest-news/cas-response-re-violet-apparel/. Nike stated to the WRC that it had not sourced from Violet Apparel since 2006. However, workers report that they made Nike products routinely during the several years leading up to the factory’s closure. Worker representatives provided the WRC with documents demonstrating the veracity of those reports, including official materials issue forms, dated July–September 2018, showing the presence of Nike product and photographs, taken inside the factory, showing Nike products on the production lines in December of 2019. The evidence shows that Violet Apparel produced Nike products as a subcontractor for Olive Apparel—a factory disclosed by Nike as a supplier in its December 2019 and November 2020 factory lists. The WRC acknowledges that Nike may not have been aware of the production of Nike goods at Violet Apparel; nonetheless, Nike is responsible for protecting the rights of workers making its products. Notably, Violet Apparel’s parent company, Ramatex, owns 15 sewing facilities and six sewing mills across five countries, 13 of which Nike has disclosed as suppliers.

V.K. Garment Co. Ltd., located at 608 Moo 7, Maegu, Mae Sot District, Tak Province, Thailand, is a sewing facility that also owns a knitting subsidiary and an embroidery subsidiary. Tesco disclosed V.K. Garment in its August 2020 and October 2019 supplier lists.

Italian businessman Alessandro Ferri, who has an eponymous clothing brand, was the Chairman of A-One. He also served as the managing director of First Textile (BD) Ltd., associated with the Italian wholesaler Tessival s.r.l.


95 Sovuthy, “After more than a year, workers at two factories receive compensation.”


112 As previously noted, there are additional arrears in the form of unpaid contributions that were deducted from workers’ paychecks for healthcare and pension, which must be addressed, but we currently have insufficient information to calculate the amount of these arrears.

113 According to the Bangladesh Labour Act 2006 Article 27(4), workers employed for 5–10 years, who resign voluntarily and provide 60 days’ advance notice of their resignation, are owed 14 days’ wages for each completed year of service. According to Article 27(3) and 27(1), if a worker fails to provide 60 days’ advance notice prior to resignation, they forfeit this benefit and must instead pay the employer an amount equal to 60 days’ wages.

The proposal states that: "Brands will be asked to pay a premium of 1.5% of annual FOB, with a special additional fee assessed in the first year to account for the administrative set up and the devastating impacts of the pandemic and climate disruption. “The first year” is defined as the first year after the brand signs on to the Fund. Thus, even if a brand signs on after the initial year of the programme, the additional 1.5% fee will still be assessed in the first year of the brand’s participation in the Fund. The 1.5% fee can be reduced if a brand sources from countries that establish credible and effective social protection programs covering unemployment and/or severance benefits, or if its suppliers sign on and contribute to the Fund. If all of a brand’s suppliers sign on, or if the brand is exclusively sourcing from countries that have fully functioning social protection programmes, its fee will go to zero.” See: Clean Clothes Campaign, “COVID-19 wage assurance & severance guarantee fund.”

For the Severance Guarantee Fund alone is even lower. For example, in 2020, a price premium of one percent of FOB, about four cents per t-shirt, would have been more than enough to cover the WRC’s high-end estimate for total severance arrears, as outlined in Section IV of this report.


The proposal states that: “Brands will be asked to pay a premium of 1.5% of annual FOB, with a special additional 1.5% fee assessed in the first year for the administrative set up and the devastating impacts of the pandemic and climate disruption. “The first year” is defined as the first year after the brand signs on to the Fund. Thus, even if a brand signs on after the initial year of the programme, the additional 1.5% fee will still be assessed in the first year of the brand’s participation in the Fund. The 1.5% fee can be reduced if a brand sources from countries that establish credible and effective social protection programs covering unemployment and/or severance benefits, or if its suppliers sign on and contribute to the Fund. If all of a brand’s suppliers sign on, or if the brand is exclusively sourcing from countries that have fully functioning social protection programmes, its fee will go to zero.” See: Clean Clothes Campaign, “COVID-19 wage assurance & severance guarantee fund.”

This estimate includes the cost of proposed financial relief for garment workers who lost jobs and income amidst factory closures and suspensions during the Covid-19 pandemic. The cost to brands for the Severance Guarantee Fund alone is even lower. For example, in 2020, a price premium of one percent of FOB, about four cents per t-shirt, would have been more than enough to cover the WRC’s high-end estimate for total severance arrears, as outlined in Section IV of this report.