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To: WRC Affiliate Universities and Colleges
From: Rola Abimourched and Ben Hensler
Date: March 31, 2022
Re: Back Pay Secured for 1,300 Workers at Collegiate Factory Supplying Cutter & Buck

The WRC has secured a commitment from the university licensee, Cutter & Buck, to provide the equivalent of more than four months' wages to over 1,300 workers, to remedy violations of law at a factory in Ethiopia producing university logo apparel. The breaches of law—nonpayment of legally mandated severance—were committed by KGG Garments, Plc ("KGG"). The factory, which closed in October 2021, supplied collegiate apparel to Cutter & Buck.

Wage Theft from the World's Poorest Export Garment Workers

Garment factory employees in Ethiopia, which has no legal minimum wage, are some of the world's lowest-paid workers making apparel for export—before the factory's closure, workers at KGG were regularly paid less than *eleven cents (US$0.11) per hour*.

The KGG factory, which was located in Ethiopia's Hawassa Industrial Park and employed 1,346 workers, ceased operations last year without paying employees more than US$135,000 in legally required severance and other legally mandated terminal benefits. Wages at KGG were typically about US$25 per month; the severance workers were denied represents the equivalent of four months' wages.

The WRC's investigation found that factory management evaded its legal severance obligations through coercion and by making false claims concerning the reasons for its termination of employees. Under Ethiopian law, an employer is required to pay workers severance and other terminal benefits if the workers are terminated due to the employer's financial difficulties and/or the factory's closure.[1] These were, in fact, the exact reasons why the KGG workers were terminated. However, to avoid its severance obligations, KGG forced workers to sign letters of resignation, then claimed that workers had voluntarily resigned, and that severance was therefore not owed.

[1] The Labour Proclamation No. 1156/2019 (as amended) ("Ethiopian Labour Proclamation"), Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia. Section Three: Severance Pay and Compensation, 39. General, 1(a).September 5, 2019, https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/109825/136386/F-1056558301/ETH109825.pdf.

Coerced Resignations to Avoid Severance Pay Obligations

By October 2021, the KGG factory closed permanently, triggering this legal obligation to workers. KGG's management, however, sought to avoid paying severance and other terminal benefits by compelling employees to, instead, resign from their jobs, before the factory closed. One worker who was interviewed by the WRC reported:

> "At first in mid-June they [the management] told us to stay at home until July, since there are no shipments. Then, [when] we went back there [to the factory] in July, as they [the management] suggested, we were told the same thing. All [during] that time we were getting [just] our basic wages, 750 birr [US$14.76] instead of the 1,150 birr [US$22.56] workers usually receive [per month] [.... Then] [i]n August, they [the management] told us there is no more work here for us to do, and we should resign, receive our work experience letter, [i.e., letter of reference][2] and leave."

Workers told the WRC that they were made to sign resignation letters that had been pre-written for them by the factory management and that the factory did not provide them with notice that their positions at the factory were being eliminated, as is required under Ethiopian law.[3] One worker stated:

> "They [the managers] asked us to sign a resignation letter stating we [we]re resigning as a result of personal problems, but we wrote and submitted another one [letter] which instead stated it [the end of our employment] was [due to] the factory's problem[s]."

Factory Provides Fabricated "Resignation Letters" from Workers

The WRC reviewed the factory's payroll and termination records, which included copies of purported "resignation letters" that had been allegedly submitted by KGG workers, which were provided to the WRC by the factory's parent company, Golden Island International Enterprise, Ltd. ("Golden Island International"). The WRC's review of these documents confirmed workers' testimonial evidence that their resignations were coerced and fabricated by the factory's management, rather than being voluntary and genuine.

First, the majority of the "resignation letters" that the factory provided were written *in English* (which workers do not speak, read, or write) and cite "personal problems" as the reason for their resignations, without providing any details. The fact that so many of these letters—which are

[2] When leaving a job, workers in Ethiopia are required to receive a work experience letter from their former employer in order to attest to their service at the factory and allow them to obtain new employment. Refusal to provide workers with a work experience letter is a typical tactic employed by factory management to force workers to accept nonpayment of severance and other mistreatment when leaving their job.

[3] Ethiopian Labour Proclamation, Chapter Three: Common Provisions with Respect to Termination of Contract of Employment, Section One: Notice to Terminate a Contract of Employment, 35; Period of Notice, "1) The period of notice given by the employer shall be as follows: a) One month, in the case of a worker who has completed his probation and has a period of service not exceeding one year; b) Two months, in the case of a worker who has a period of service above one year and not exceeding nine years; c) Three months, in the case of a worker who has a period of service of more than nine years; d) Two months, in the case of a worker who has completed his probation and whose contract of employment is to be terminated due to reduction of work force."

dated over a brief period and written in a language most of the workers do not even understand, much less commonly use—all cite the same vague reason for the employees' supposed resignation, without any further explanation, clearly indicates that the letters were prepared not by the workers themselves, but by the factory management, who required the workers to sign them.

Second, factory payroll and termination records that the factory provided for May to October 2021 purported to show hundreds of workers "resigning" in the final months leading up to the factory ceasing operations. Payroll documents for May 2021 show 1,346 workers employed at the factory. In the factory's June 2021 payroll records, only 616 workers, less than half as many, appear as still employed, with another 431 workers appearing as suspended with pay, 112 workers as having "resigned", and an additional 20 workers as absent.

The company's August 2021 payroll documents show less than 300 workers employed by the factory at that time. Workers continued to leave the factory throughout September and October until, by the end of October, only a few managers and office staff remained on payroll. The records provided by factory owners Golden Island International indicated that only 44 workers, less than four percent of the total workforce, were properly terminated and paid severance and other terminal payments, according to Ethiopian labor law, during the factory's closure process.

There is no rational reason to believe that, without management compulsion, only a few months immediately prior to the factory ceasing operations, the overwhelming majority of the factory's over 1,300 workers would all choose, individually, to resign for "personal reasons" —and thereby forgo severance payments worth the equivalent of several months' wages that would be due to them if they chose to wait to be terminated by the factory when it closed.

WRC Engagement with Licensee Secures Commitment to Correct Factory's Theft of More than Four Months' Wages in Severance Pay from 1,300-plus Workers

Based on the evidence detailed above, the WRC concluded that Golden Island International deliberately reduced the size of the factory's workforce by forcing workers to resign, in order to intentionally avoid its severance obligations to its employees, while it completed its final orders for customers in advance of the factory's eventual closure. By doing so, KGG robbed its former employees of an estimated 6,759,533.24 birr (US$135,310) in terminal benefits they were legally owed when their employment ended, the equivalent of nearly 4.5 months' regular wages per worker.[4]

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[4] Ethiopian Labour Proclamation, Section Three: Severance Pay and Compensation, 40, Amount of Severance Pay, "1) The severance pay referred to in Article 39 of this Proclamation shall: 2) Be thirty times the average daily wages of the last week of service for the first year of service; and for the service of less than one year, be calculated in proportion to the period of service. 3) In the case of a worker who has served for more than a year, payment shall be increased by one-third of the amount referred to in Sub-Article (1) of this Article for every additional year of service; provided, however, that the total amount shall not exceed twelve months' wage of the worker; 4) Where a contract of employment is terminated in accordance with Article 24(4) and 29 of this Proclamation, the worker shall be paid, in addition to payments under Sub-Article (1) and (2) of this Article, an amount equal to the worker's average daily wage of the last week of service multiplied by 60."

The WRC communicated our findings and recommendations for remediation of the factory's theft of workers' severance pay to Cutter & Buck, asking this university licensee to press the factory's owners to commit to pay workers their legally mandated severance and terminal benefits. When factory owners Golden Island International failed to commit to remedy the violation, Cutter & Buck, to its credit, quickly agreed to provide the former KGG workers with sufficient funds in humanitarian assistance to remedy the legal violation and make the workers whole. The WRC and Cutter & Buck are currently working together to organize the distribution of the funds to the workers in Ethiopia.

This case represents yet another illustration of the crucial role of university standards in protecting garment workers' rights and independent factory monitoring for universities in ensuring these standards are upheld and workers' rights respected. It is hard to imagine that, in the absence of either, the KGG employees, some of the poorest export garment workers in the world, would have had any chance of receiving the severance pay that they had legally earned and have desperately needed since the factory's closure. The WRC is encouraged that Cutter & Buck, recognizing its responsibility as a producer of collegiate licensed apparel to ensure compliance with university labor standards, has committed to working with the WRC to ensure that the more than 1,300 KGG workers will receive the crucial funds they are owed.