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To: WRC Affiliate Universities and Colleges
From: Rola Abimourched and Scott Nova
Date: December 16, 2022
Re: Successful Distribution of Back Pay to 1,297 Workers at Collegiate Factory Supplying Cutter & Buck

In March of this year, the WRC reported[1] on the commitment from the university licensee, Cutter & Buck, to provide the equivalent of more than four months' wages to over 1,300 workers in order 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.

As of this month, the vast majority of the former KGG workers (1,297 workers in total) have now received the legally mandated severance payments that were stolen from them by the factory, remedying the violation of university codes of conduct. Workers received the equivalent of about three months' wages after taxes.

Cutter & Buck and the WRC worked together to identify an organization to verify the workers' information and distribute the funds.

KGG Forces Workers to Resign Thereby Denying Them the Legally Mandated Severance Payments

KGG Garments, 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 (an estimated 6,759,533.24 birr) in legally required severance and other legally mandated terminal benefits.[2] Wages at KGG were typically about US$25 per month; the severance that workers were denied represents the equivalent of four months' wages.

[1] Worker Rights Consortium, "Back Pay Secured for 1,300 Workers at Collegiate Factory Supplying Cutter & Buck," March 31, 2022, https://www.workersrights.org/communications-to-affiliates/back-pay-secured-for-1300-workers-at-collegiate-factory-supplying-cutter-buck/.
[2] The Labour Proclamation No. 1156/2019 (as amended) ("Ethiopian Labour Proclamation"), Federal Negarit Gazette of the Federal Democratic Republic of Ethiopia, September 5, 2019, https://www.ilo.org/dyn/natlex/docs/ELECTRONIC/109825/136386/F-1056558301/ETH109825.pdf. 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

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.[3] To avoid its severance obligations, KGG forced workers to resign to justify nonpayment of terminal benefits.

The WRC communicated our findings and recommendations for remediation 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 remedy the violation, Cutter & Buck, to its credit, quickly agreed to provide the former KGG workers with sufficient funds to remedy the legal violation and make the workers whole.

Distribution of the Funds to the Former KGG Workers

Cutter & Buck worked with the WRC to identify an organization to make the transfers. Given government restrictions on money coming from international entities and governmental restrictions and scrutiny over the operations of nonprofit organizations within the country, the WRC could not identify a nonprofit organization willing to conduct this work.

However, we were able to identify a local consultancy working on development and poverty related issues, mainly for international donors, such as the United Kingdom's Department for International Development. The firm, Taya, has also worked with for-profit companies in transferring funds to workers.

Unfortunately, because the payments were coming from a for-profit consultancy rather than the original employer or a nonprofit, nongovernmental organization, the payments were taxed at a rate of 30 percent. Had the factory paid the workers the legally mandated severance and terminal benefits at the time of the closure, workers' tax liability would have been much less.

Over the next few months Taya worked with the WRC to identify the KGG workers and inform them of the distribution. Despite no longer working at the factory and not being formally organized, Taya and the WRC were able to reach almost all of the workers. Three of the workers could not be located and one worker told Taya that they were still employed by KGG. In total workers received 4,698,700.84 birr after tax (US$91,219.19).

Given the significant challenges facing Ethiopian garment workers seeking respect of their rights, the workers were surprised and pleased to receive the funds they were owed.

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."

[3] Ethiopian Labour Proclamation, Section Three: Severance Pay and Compensation, 39. General, 1(a).

One worker commented,

> This feels unreal and exciting. It could be a teaching moment for others. To have someone by our sides…we couldn't believe there is an organization that stands for workers, we are happy to find out. For so long, given the general situation, we did not believe this could be realized. Thank you so much.

Another said,

> We were hopeless and left all the things behind because we were convinced we could not get any answers. So, for you to fight for our rights and get us the payments is so huge; I am very grateful.

This case illustrates, once again, the crucial role university standards and independent factory monitoring play in ensuring workers making collegiate apparel are protected. As is reflected in workers' comments, the KGG workers would never have received the severance they legally earned and desperately needed since the factory closed without these standards and monitoring.