



WORKER RIGHTS CONSORTIUM

To: WRC Affiliate Colleges and Universities

From: Scott Nova and Jessica Champagne

Re: Successful Distribution of US\$1.1 Million to Salvadoran Workers

Date: June 19, 2015

Since April 27, 1,118 workers at a Salvadoran collegiate supplier factory have collected more than US\$1.1 million in severance benefits owed them since the factory closed in January 2014. With this distribution, Fruit of the Loom (parent company of licensee Russell Brands) and Hanesbrands have fulfilled their remedial obligations at the sister factories Manufacturas del Rio (MDR) and Central American Cutting Center (CCC). As the WRC reported on [April 29, 2015](#),¹ MDR/CCC closed in January 2014 without paying legally required severance to 1,187 workers.



The factory at the time of the closure

This memo provides an update on the distribution of funds, which is now complete. The memo also includes photographs of the distribution which we thought would be of interest to universities.

As noted in our previous memo, the funds for this distribution, which took place from April 27 to May 27, 2015, were provided primarily by Hanesbrands and Fruit of the Loom; a licensee to Levi Strauss, Hampshire, also provided a small sum. Lacoste was the only one of the factory's major buyers that failed to contribute to the workers' severance pay. This was the second distribution of funds to workers; due to engagement by the WRC and the factory's buyers, the factory's owner, the Argus Group, made an initial payment of US\$650,000 to workers in July 2014.

¹ See, WRC memo, "Remediation of Severance Pay Violations at MDR/CCC (El Salvador)," April 29, 2015, <http://workersrights.org/Freports/WRC%20Memo%20re%20MDR%204.29.15.pdf>.

Workers collect partial payment of their severance in July 2014.



During the April-May distribution, checks made out to each of the workers were available first at the Ministry of Labor and then at a local bank for a total period of one month. The amount provided to each worker was based on the amount owed to the worker as calculated by the Salvadoran Ministry of Labor. The WRC reviewed the relevant calculations and observed the distribution.

The provision of these funds makes the workers whole for the nominal amount they were denied when the factory closed in January 2014. As noted in our April 29 memo, while workers have not received any payment of interest to compensate them for the 15 months that they were denied their legally owed severance, the WRC is optimistic that workers will receive additional funds from a sale of the company's assets being carried out by the Salvadoran government. Given this, the WRC considers the case closed with respect to Hanesbrands and Fruit of the Loom.



Former employees of MDR and CCC line up outside the Ministry of Labor to collect their severance checks.



At the time of the closure, the workers at these two factories were owed a total of \$1,760,318. In July 2014, the Argus Group made available \$650,000, \$643,254 of which was collected by workers. Of the remaining \$1,117,064 owed to

Salvadoran Minister of Labor, Sandra Edibel Guevara Pérez, speaks with workers collecting their checks at the Ministry of Labor.

workers, the bank that facilitated the distribution reported that, during the period of April 27-May 27, 1,118 workers collected a total of \$1,100,849.87, comprising 95% of the funds available. Errors that were identified by the workers and reported to the apparel brands and to the WRC were corrected and adjusted payments were made available to these workers.

Former employees of MDR and CCC reported to the WRC that they would use the funds to meet their families' needs and to repay debts that they have accumulated during the past year, during which many of them have been unemployed. This payment is significant not only for each of the workers involved, but as another step forward in the WRC's efforts to ensure that workers are made whole in cases where they have been denied legally mandated compensation, even where this requires licensees to make direct payments.

