



WORKER RIGHTS CONSORTIUM

To: Primary Contacts at WRC Affiliate Colleges and Universities

From: Scott Nova

Date: December 15, 2006

Re: Update: Hermosa and Chi Fung, Recommendation for University Communication to Licensees

A number of universities have inquired of us in recent weeks whether there has been any progress in the cases of Hermosa and Chi Fung in El Salvador, since the WRC issued its most recent update on [October 10](#). (For background on these cases, please see this update and also WRC communications on [February 15](#) and [April 20](#)).

Unfortunately, there has been no progress. The situation at Hermosa, with respect to unpaid severance, other unpaid terminal benefits, and unpaid contributions to employee health insurance and pension funds is unchanged. None of the 63 workers in question has received compensation of any kind. The owner of the factory has been found guilty in Salvadoran court of criminal violations and has been ordered to pay the monies owed to the health and pension funds, or face a jail sentence. However, the case has been appealed to the Supreme Court and is unlikely to be resolved for at least six months to a year. If the owner is ultimately forced to pay, at some point down the road, this will not lead to any compensation for the workers, since the criminal case relates only to the benefit funds. The key licensees that sourced from Hermosa are Adidas, Nike and Russell Athletic. While the licensees have made efforts of varying degrees to address the issues at Hermosa, no remediation of these violations has been achieved to date.

With respect to Chi Fung, where the WRC documented repeated cases of blacklisting of former Hermosa workers, the situation is also unchanged. Adidas, Nike and VF Corporation (the key licensees sourcing from Chi Fung) failed to remediate the blacklisting violations for six months, after these violations were first reported to them by the WRC in March of 2006. By that point, in September, with none of the 63 workers having been able to obtain employment at Chi Fung, with the licensees having failed to implement key recommendations made by the WRC to address the issue, and with no confidence on the part of the workers that Chi Fung had any intention of ending its practice of blacklisting, the workers decided to cease their fruitless efforts to obtain employment at this facility. As a result, remediation of the harm done to these workers by Chi Fung is no longer achievable. (It is Adidas' position that the blacklisting violations were adequately addressed, but the facts of the case do not support this claim. For more detail on this question, please see the WRC update of [October 10](#)).

In summary, the licensees have violated university codes of conduct by:

- 1) sourcing from a factory, Chi Fung, that violated workers' associational rights through blacklisting, and then failing to take the steps necessary to achieve remediation, and

2) sourcing from Hermosa, which failed to make legally mandated payments to employee health and pension funds and also failed to pay severance benefits accrued while workers were making products for these licensees.

The opportunity to remediate the harm done to the 63 Hermosa workers by ensuring their access, on a non-discriminatory basis, to employment at Chi Fung has been squandered. At this point, the best hope for some form of positive outcome for these workers is action on the severance owed to them by Hermosa. To the extent that the licensees have the power to do something for these workers, it lies in this area. We recommend that universities that have relationships with one or more of these licensees consider communicating with them at this juncture and urging them to take all reasonable steps within their power to achieve payment of all severance owed to these workers.

Please feel free to contact me if you have any questions about this update.

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