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Nike agrees to pay \$1.5 million to help Honduran workers laid off by 2 subcontractors

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MADISON, Wis. (AP) — In a move praised by labor activists, [Nike Inc.](#) agreed Monday to spend \$1.5 million to help workers abruptly laid off last year by two subcontractors in [Honduras](#).

The announcement came amid mounting pressure from universities and student groups, who had urged Nike to pay the workers the severance they should have received when the factories closed.

Nike had refused for months, saying the workers' compensation was the responsibility of subcontractors, Hugger and Vision Tex.

But under the deal with the workers' union, the Central General de Trabajadores de Honduras, Nike agreed to contribute \$1.54 million to a relief fund to help more than 1,500 workers.

The money will be distributed based on the workers' earnings and length of service, said Jeffery Hermanson, a union representative.

Nike also will cover the cost of enrolling the workers for one year in Honduras' national health care program and give the workers preference for job openings at other subcontractors in Honduras.

All told, the measures will "fully compensate workers for what they are owed," said Scott

Nova, director of the Workers Rights Consortium, a labor monitoring group. He praised the deal in a letter to the [University of Wisconsin-Madison](#), which had ended its Nike contract in April.

"This package of measures represents the most positive resolution to a case of unpaid severance in the supply chain of any university licensee or major apparel brand," he wrote.

Nova added the impact may go beyond this case, saying Nike has charted a new course for the apparel industry.

"If this leads other companies to step in when their contract factories fail to pay workers the money they have earned, it will be a major advance," he wrote.

Nike hired the factories, located in Choloma and San Pedro Sula, to produce apparel. They closed without notice in January 2009 with the workers being owed \$2.6 million in severance payments under Honduran law.

Nike had offered to provide job training and give workers priority for jobs at nearby factories, but had resisted calls to cover the severance. The company was careful to explain Monday's payment as going toward the relief fund and not severance.

The Worker Rights Consortium told college leaders in a report in March the company's response had been insufficient. At that time, workers were still owed \$2.2 million, and most were without jobs and in desperate need of food, money and medical care.

In April, UW-Madison Chancellor Biddy Martin made the school the first to end a licensing agreement with Nike, which meant the firm could no longer produce Badgers apparel. She said Nike had violated its code of conduct, which requires university licensees to be responsible for their subcontractors.

[Cornell University](#) announced in June it would let its Nike contract expire at the end of the year unless progress was made on the issue. United Students Against Sweatshops had launched a nationwide campaign urging Nike to "Just Pay It!," referring to the severance.

"This is a watershed moment for the student anti-sweatshop movement," the group's international campaigns coordinator, Linda Gomaa, said in a statement.

Dawn Crim, UW-Madison's special assistant to the chancellor for community relations, said she expected Nike to apply for reinstatement for a university license. She said the school would make sure the settlement was followed through before granting the request.