

To: WRC Affiliate Universities and Colleges
From: Rola Abimourched and Scott Nova
Date: January 20, 2022
Re: WRC Update on Wage Theft Violations and Remediation at PT Hansoll Hyun

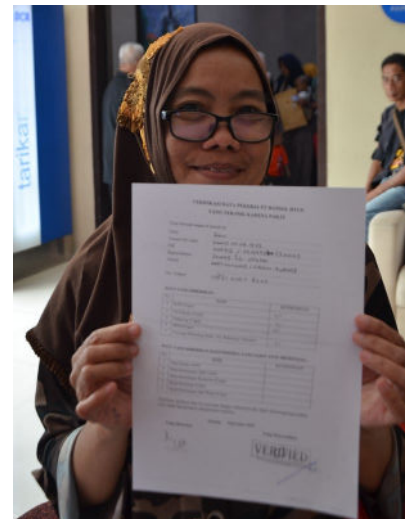
This case brief provides a review of the WRC's investigation and remediation efforts related to wage theft violations at PT Hansoll Hyun (Hansoll Hyun), a factory that was located in Subang, West Java, Indonesia. The factory closed without paying workers millions of dollars in legally mandated severance and other compensation. Prior to its closure, Hansoll Hyun produced university-licensed apparel for Gear for Sports (Hanesbrands). Other customers of the factory, for non-collegiate goods, included Abercrombie & Fitch, Hansoll Textile (a company with a similar name but no corporate relationship to Hansoll Hyun), and Kohl's, among others.

When the factory ceased operations, and fired its entire workforce, it became clear that the owners had set nothing aside to cover the millions of dollars in severance accrued by workers, many employed at the factory for a decade or more. The WRC found that Hansoll Hyun violated Indonesian law, and university and buyer codes of conduct, by failing to pay any of this severance and also failing to pay back wages and mandatory payments to Indonesia's Social Insurance Administration. The company had withheld money from workers' pay and then failed to convey it to the government, pocketing the money instead, a gross violation of Indonesian law. This resulted in workers losing access to healthcare and other employment-related benefits, prior to the factory's closure, including workers' compensation, life insurance, and pension funds.

The factory's failure to pay legally mandated compensation was a result, in part, of the failure of the factory's buyers to properly monitor compliance. Wage theft at the factory was taking place well before its closure, but there is no evidence that Gear for Sports, or any other buyer, identified the violations or took any corrective action.

At the time of the closure, the workers of Hansoll Hyun were each owed, on average, roughly US\$3,000. To put this in perspective, US\$3,000 is the equivalent of *more than a years' wages* for these workers. For workers and their families, the consequences of wage theft this severe are enormous and lasting, including degraded nutrition, worsened living conditions, reduced ability of workers to keep their children in school, and diminished long-term life prospects.

After the factory's closure, the workers' union, Serikat Pekerja Nasional (SPN), pursued the money workers were owed through bankruptcy proceedings, but it soon became clear that workers would not receive any significant sum of money through that channel. Meanwhile, the factory owners, who



were not Indonesian nationals, had fled the country, and there was no realistic prospect of compelling them to pay.

The aggregate amount due to the 1,301 workers, that the WRC and the SPN union were able to locate after the WRC took on this case, was \$3.76 million.

Having documented the violations of workers' rights and determined the amounts owed, the WRC reached out to Gear for Sports, the university licensee that produced collegiate goods at the factory, via its parent company Hanesbrands. The WRC asked Gear for Sports to take corrective action to ensure that these workers, who sewed goods bearing the names and logos of universities and colleges, were paid the money they had earned—consistent with the obligations of Gear for Sports under the labor rights provisions of its university licenses, which require remediation of all violations of universities' labor standards.

As a practical matter, the only way the workers in this case were ever going to see the money they were owed was if buyers used their own funds to make the payment. There were only two possible outcomes: either corporations like Hanesbrands, Abercrombie & Fitch, and Hansoll Textile would draw on their substantial resources to aid workers, or these workers would suffer the permanent loss of their earnings.

In severance cases like this, where there are multiple buyers, the WRC always seeks contributions from non-university buyers, as well as from the university licensee. Gear for Sports' orders were very small and short-lived. This in no way absolves Gear for Sports of responsibility under university labor standards: universities' codes require licensees to remedy abuses of worker rights at a factory, regardless of the size of the licensees' production. However, given the unusually large contrast between sourcing volume (very small) and money owed (very large), the WRC viewed it as especially important to seek contributions from non-university buyers, as well as from Hanesbrands.

In order to bring in other buyers, it was essential for Gear for Sports to step up and make the first contribution: getting non-university buyers to use their own funds to remedy violations of worker rights by their suppliers is far more feasible when we can show that other companies have already agreed to contribute. To its credit, Gear for Sports did so, agreeing to provide US\$400,000 to the former Hansoll Hyun workers. Through many months of engagement with Abercrombie & Fitch and Hansoll Textile, which sourced at Hansoll Hyun on Abercrombie & Fitch's behalf, the WRC was able to secure an additional \$2.52 million contribution from Hansoll Textile to compensate the workers.

The WRC confirmed the exact amount owed to each individual worker. We worked with the SPN union to ensure that every worker had a bank account at which they could receive their money and to compile this banking data. We worked with Gear for Sports and Hansoll Textile to facilitate the secure wiring of funds to workers, which, for logistical reasons, took place over five separate distributions. The last of these took place in December of 2021. The WRC also created a mechanism for all workers to formally acknowledge receipt of their funds.

As a result of the contributions from Gear for Sports and Hansoll Textile, the former Hansoll Hyun workers have now been paid US\$2.92 million (see Table 1 below), which is just shy of 80 percent of what the workers were originally owed. The case is not concluded, because workers have not

received 100 percent of the money they legally earned. The WRC is now engaging with additional buyers in an effort to secure the remaining funds.

Meanwhile, the benefits to workers' families of the money they have received have been enormous. Workers who lost their homes now have decent housing. Workers who were unable to keep their children in school have been able to send them back. Families are eating better. Some workers have been able to use their severance to start small businesses.

This case illustrates the tremendous value to workers of the WRC's efforts to remedy severance theft at factories around the world making university logo goods. Absent the WRC's intervention, none of the Hansoll Hyun workers would have received *any* of the legally mandated severance they spent years earning. There is very rarely any meaningful recourse for workers in these severance cases through governmental or judicial mechanisms. And brands—even though their own labor codes commit them to remedy labor rights violations—do not volunteer, on their own, to provide financial assistance to workers. Indeed, in this case, none of the buyers had engaged in the case in any way, prior to being contacted by the WRC. As a result of the WRC's investigation and remediation efforts, more than a thousand workers—who had more than a years' wages, on average, stolen from them—have now received most of what they were owed. This work is painstaking—the WRC has been engaged on the Hansoll Hyun case for more than three years—but it is essential to upholding universities' labor standards and ensuring the well-being of workers who sew university logo clothing.

Table 1: Amount Paid to Date to Hansoll Hyun Workers, by Source

Total Payments Due to workers¹	Total Contributed by Hanesbrands	Total Contributed by Hansoll Textile	Total Paid to Workers
\$3,763,000	\$400,000	\$2,517,000	\$2,917,000

¹Includes unpaid wages, severance, BPJS Ketenagakerjaan (non-healthcare benefits), and BPJS Kesehatan (healthcare benefits) for 1,301 former workers.