

To: WRC Affiliate Universities and Colleges
From: Rola Abimourched, Bent Gehrt, and Scott Nova
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Re: WRC Case Brief: Din Han Enterprise (Cambodia)

This case brief summarizes the WRC's investigation and remediation of late payment of wages during a suspension of operations at Din Han Enterprise Co., Ltd. ("Din Han"), a factory located in Phnom Penh, Cambodia, employing 2,899 workers.¹ Din Han is disclosed as a supplier of collegiate apparel by Triform Custom Apparel (adidas).

In early April 2021, after an outbreak of Covid-19, Din Han suspended its operations, sending workers home. This suspension occurred just before the factory's semi-monthly payday. The factory then failed to issue pay to workers for work performed in March, in violation of Cambodian law and university labor codes.

The factory was still closed when, in mid-April, the Cambodian government imposed a strict lockdown in certain areas of the country, during which no one was allowed to leave their homes, including to purchase food. The government issued a directive to factories, ordering them to pay at least partial wages during this lockdown. Din Han, however, failed to indicate to workers that it intended to pay any wages for April. Although the government order was vague as to the percentage of wages that should be paid, resulting in substantial variation among factories, paying nothing, as was Din Han's initial approach, was a violation of the government's directive. By paying less than most other factories, Din Han also fell short of the provision of university labor codes that requires suppliers of collegiate apparel to pay workers at least the local prevailing (or average) wage.

As a result of the failure of the factory to pay March wages and the subsequent failure to pay wages for April or to indicate any plan or timeline for doing so, Din Han workers were particularly hard hit by the lockdown. Some of the factory's workers reported to the WRC that they were without food and could not pay rent.

The WRC asked the licensee, Triform Custom Apparel, to press Din Han to pay workers their remaining wages for March and their wages for April. In response, Din Han agreed to pay workers the wages they were owed for March and agreed to pay workers 50 percent of their

¹ Garment Manufacturers Association of Cambodia, "Member Directory: Din Han Enterprise Co., Ltd.," (workers reported around 2,600 workers), accessed August 23, 2022, https://www.gmac-cambodia.org/member_front_detail/185.

normal April wages. Based on the WRC's analysis, this met the prevailing wage standard as it applied to factory pay over the lockdown period. These payments thus rectified the violations identified by the WRC and brought Din Han into compliance with university labor standards. These remedies enabled the factory's workers to buy food for their families, pay rent, and meet other basic needs.

Factory Failed to Pay Workers' Wages during Suspension and Lockdown

In April 2021, an outbreak of Covid-19 occurred at Din Han when 638 workers (almost a quarter of the factory's workforce) tested positive for Covid-19.² As a result, the factory suspended its operations. In doing so, management failed to inform workers as to when it would reopen and pay workers their remaining wages for March. This suspension occurred immediately prior to the New Year holiday, during which all factories in Cambodia are closed.

After the New Year holiday and in response to the surge in cases of Covid-19, the Cambodian government imposed strict lockdowns in certain areas of the country, during which no one was allowed to leave their homes, creating serious food shortages. According to Amnesty International more than 300,000 people were located within areas designated as "red zones". Markets in the red zones were closed and mobile food vendors barred, leaving many residents at risk of hunger.³

In addition, the Cambodian government had issued an instruction to employers to pay workers' wages during the lockdown but without specifying a minimum amount,⁴ resulting in some factories deciding not to pay workers at all and others paying workers their full wages during the lockdown.

Din Han workers were particularly hard hit. Workers reported to the WRC that they had to quarantine after they had been sent home on April 7. For many that meant staying inside the dormitory, sharing a room with three to five other workers, and being away from their families. Additionally, many areas of Phnom Penh, including the area where Din Han workers lived, came under the government-mandated lockdown, which severely restricts residents' mobility. Finally, Din Han employees reported having no income to pay for basic necessities (such as rent and food) due to the partial payment of their wages for March and the nonpayment of their wages in

² "Veng Sreng Street in Phnom Penh is locked down as Din Han garment factory cluster logs 638 cases," *Khmer Times*, April 10, 2021, <https://www.khmertimeskh.com/50836945/veng-sreng-street-in-phnom-penh-is-locked-down-as-din-han-garment-factory-cluster-logs-638-cases/>.

³ Amnesty International, "Cambodia: Authorities must avert COVID-19 humanitarian crisis," April 30, 2021, <https://www.amnesty.org/en/latest/news/2021/04/cambodia-humanitarian-crisis-covid/>.

⁴ Ministry of Labor and Vocational Training, "Instruction no. 43 re Wage payment of early April and additional allowances for workers-employees of Factories, Enterprises, Handicrafts and Companies during lockdown of the geography of Phnom Penh and Takhmao City of Kandal Province to curb the spread of COVID-19," April 19, 2021, clause 3, ("To provide the additional allowances to its workers-employees according to its ability based on the spirit of humanity, solidarity and social responsibility in this massively difficult time. The payment of the additional allowances should also be done after the end of the lockdown.").

April. Normally, Din Han pays workers their wages in cash twice per month; on the 25th of each month, workers receive an advance—a flat rate of US\$100—and on the 10th of the following month, workers receive the remainder of their wages.⁵ However, as the factory shutdown on April 7, just a few days before their payday, the workers did not receive their remaining March wages. Furthermore, Din Han management did not communicate to workers whether they would receive any wages for April.

Late payment of workers' wages violates Cambodian law⁶ and, therefore by extension, university codes of conduct.⁷

Payment of Prevailing Wage after WRC Intervention

The WRC contacted adidas about Din Han's failure to pay workers' March wages and to communicate to workers when and how much of their April wages would be paid. The WRC shared with adidas that some factories in Cambodia had paid in full workers' wages for April, suggesting that Din Han could adopt this best practice. Adidas worked with the factory to ensure that workers were immediately paid their remaining wages for March (more than US\$100 in total), as well as paid some wages for April. Din Han agreed to pay roughly 50 percent of workers' regular wages for April, which based on the WRC's analysis was the prevailing wage and therefore, although short of best practice, in compliance with university codes of conduct.⁸ Workers received payments ranging from US\$130 to US\$170 by mid-May 2022. These payments helped the Din Han workers pay for food and other necessities during the lockdown.

⁵ Since the Cambodian government requires factories to have a half monthly wage period, most factories provide a flat rate of US\$100 and the remaining wages on the following payday. This is in order to reduce the administrative workload in wage calculations.

⁶ Labor Code for the Kingdom of Cambodia, article 116 ("Laborers' wages shall be paid at least two times per month, at a maximum of sixteen-day intervals.").

⁷ Collegiate Licensing Company, "Labor Code Standards," clause II, A ("Legal Compliance: Licensees must comply with all applicable legal requirements of the country(ies) of manufacture in conducting business related to or involving the production or sale of Licensed Articles.").

⁸ Collegiate Licensing Company, "Labor Code Standards," clause II, B (1) ("Wages and Benefits: Licensees recognize that wages are essential to meeting employees' basic needs. Licensees shall pay employees, as a floor, at least the minimum wage required by local law or the local prevailing industry wage, whichever is higher, and shall provide legally mandated benefits.").