

To: WRC Affiliate Universities and Colleges  
From: Tara Mathur and Ben Hensler  
Date: February 10, 2025  
Re: WRC Intervention Averted Severance Theft of \$4 Million and Ensured Payment of Legally Mandated Compensation at a Collegiate Factory in Honduras

In November 2024, a factory in Honduras called Stretchline Central America announced to its workers that it would close in two months and would not pay them \$4 million in legally mandated severance. As outlined in this case brief, the WRC, in response to a worker complaint, engaged the factory's owners, pressing them to honor their severance obligations under Honduran law and university labor standards. In response, the company reversed course and agreed to pay the workers in full.

The WRC has confirmed that last month, upon the factory's final closure, Stretchline Central America fulfilled this commitment and paid all legally required compensation to workers, many of whom had been employed at the factory for more than a decade. The compensation received, as a result of the WRC's intervention, amounts to, on average, more than \$13,000 per employee, the equivalent of nearly *two and a half years of wages* for a Honduran garment worker.

In addition to its December complaint to the WRC, workers at Stretchline Central America contacted advocacy groups in North America, including Students for International Labor Solidarity (SILS), a student group active on a number of US university campuses, and Maquila Solidarity Network (MSN), a well-known nongovernmental organization based in Canada. Both organizations contacted Stretchline Central America to express their concern over its plan to deny severance to workers; we believe this engagement also played a role in convincing the company to reverse its decision.

Stretchline Central America supplied elasticated fabric to numerous factories disclosed as suppliers of collegiate apparel by a wide array of university licensees. Licensees that disclosed, among their producers of collegiate apparel, manufacturing facilities supplied by Stretchline Central America include adidas, Campus Ink, Champion, Fanatics, Garb, Gear for Sports, Gorilla Marketing, Graphic Cow, Knights Apparel, Manhattan Stitching, New Agenda, Nike, Peter Millar, Rhone Apparel, and Vineyard Vines.

As both the WRC and major collegiate licensing agencies previously have affirmed, university labor standards apply to factories producing *materials* used in collegiate apparel, as well as factories that assemble finished goods. In this case, because the WRC was able to secure an outcome that achieved compliance with university labor standards through engagement with the factory management, it was not necessary for us to involve the licensees in resolving the matter.

The factory was operated by its parent company, Stretchline Limited, which claims to be the world's largest manufacturer of narrow elasticated fabric. It owns factories around the world and has offices in Hong Kong, the US, and the UK. It was clear to us from the outset that Stretchline Limited possessed the resources to fulfill its severance obligations in Honduras. The company has not provided an explanation for why it initially refused to do so. Poor enforcement of severance laws by the government in Honduras certainly facilitates such action.

By helping convince Stretchline Central America's owners to fully meet their legal obligations to workers and pay them all money owed, the WRC averted a very serious violation of university labor standards. Had we not, licensees using the company's fabrics would have been responsible for securing remedy. Credit is also due to the workers who brought the complaint to the WRC and to the advocacy groups, like SILS and MSN, that also pressed the factory to reverse course.

In telling workers of its plan not to pay severance upon closure, the factory stated it would sell its inventory and used equipment, after closure, and provide the proceeds to workers as partial payment. Decades of experience with garment factory closures have shown that such post-closure sales never produce more than a small fraction of what factory workers are owed.

As the WRC has frequently noted, university labor codes require that workers be paid the money they are legally owed, *in full*—partial payment does not constitute compliance. Because the workers *have* received full payment of the money they were owed—which for many of them amounts to their life's savings—they and their families face much brighter prospects for the future than they otherwise would.

Worker representatives also asserted to the WRC and to the factory management that Stretchline Central America should also provide factory employees 'notice pay' of two months' wages. Honduran law requires such payments to workers when their employer terminates them, without any fault of the workers, *and* fails to provide the employees two months' advance notice of their dismissal.

In this case, the WRC determined that, since the employer *had* announced to the workers, in November 2024, that the factory would be closing in January 2025, the statutory notice requirement had been satisfied and such 'pay-in-lieu-of-notice' was not mandated. Therefore, the WRC's conclusion is that Stretchline Central America, by reversing its initial decision to deny severance to workers and instead pay them in full, has met the requirements of Honduran law and university codes of conduct.

Had the WRC not intervened at Stretchline Central America, it is virtually certain that workers would never have received their full compensation. This is another powerful illustration of how universities' binding labor standards, and the WRC's monitoring work, protect workers in the collegiate apparel supply chain from mistreatment.

If you have any questions about this case, please do not hesitate to ask.