



El Salvador Sew: Final Summary Report

July 28, 2025

Background: Third Party Compliant

The [El Salvador Sew Third Party Complaint \(TPC\) investigation](#), initiated on March 4, 2024, exemplifies the joint responsibility of all members of the Fair Labor Association (FLA) to ensure compliance with the highest standards in the protection of workers' rights.

Advance severance payments to workers, usually issued on an annual basis, have become a common practice in El Salvador's garment sector. While FLA does not oppose this practice, it has established standards to protect workers from potential abuse by employers and has [recommended a formula for calculating and paying this benefit](#) when employers have adopted advance severance payments.¹

In September 2024, Hanesbrands Inc. (Hanes) closed its El Salvador Sew factory and laid off more than 1,500 workers. FLA's TPC found that Hanes did not calculate workers' severance payout correctly and owed severance funds to workers at the time of their dismissal. In doing so, Hanes did not comply with parameters set forth in Article 58 of the El Salvador Labor Code or with FLA's Workplace Compliance Benchmarks governing terminations and compensations.

Furthermore, Hanes did not remediate this non-compliance with local law and FLA standards, and Hanes ultimately left FLA in December 2024.

Remediation for El Salvador Sew workers

However, over a year after the publication of the investigation report on the El Salvador Sew TPC, FLA can confirm that Hanes has paid in full the amount owed in severance compensation to workers.

In 2024, Unrivald Teamwear acquired the Gear for Sports, Knights Apparel, and Champion Teamwear divisions from Hanes and subsequently applied for membership with FLA. During the membership application process, FLA raised concerns regarding the unresolved severance issue stemming from the El Salvador Sew TPC investigation involving Hanes. Following the acquisition, Unrivald Teamwear maintained a sourcing relationship with Hanes and actively engaged with them to advocate for resolution of the outstanding remediation. As a result of this engagement, Hanes reached an agreement in February 2025 to remediate the severance issues identified in the investigation.

¹ FLA Workplace Compliance Benchmarks ER. 15.4.1

Although Unrivaled Teamwear is committed to ensuring factories adhere to FLA's code and benchmarks, the strong engagement from FLA-affiliated universities further reinforced the importance of resolving the TPC investigation.

Hanes began the retroactive compensation payment process for El Salvador Sew workers in April 2025. Subsequently, FLA verified that Hanes followed the steps below to determine the amount owed to each worker.

Step 1: Determine seniority

Hanes calculated the total number of days the worker worked for the company, from their hiring date up to the date of termination.

Step 2: Calculate average salary

Hanes determined the worker's average monthly salary.

Step 3: Compute severance compensation

Using El Salvador labor laws, Hanes applied the following formula to calculate the severance compensation based on the seniority established in Step 1:

$$\text{Severance Compensation} = \left(\frac{\text{Average Salary} \times 8 \times 365}{12 \times 365} \right) \times \text{Total Number of Days Worked}$$

Step 4: Add severance payments paid in advance

Hanes totaled all advance severance payments made annually throughout the worker's employment, including the final severance paid at the time of their termination.

Step 5: Calculate seniority bonus

The final severance payment was calculated by subtracting the total advanced severance payments (from Step 4) from the total severance compensation calculated in Step 3.

Step 6: Eligibility

All associates whose severance payment balance exceeded \$10.00 were deemed eligible for payment.

On May 15, 2025, Hanes provided FLA with access to the amounts paid to each worker eligible for retroactive severance pay. Workers with the longest seniority received amounts exceeding \$1,000, and there were even cases of retroactive payments of \$2,800 and \$3,165. Workers with less seniority received lower amounts. Only 34 eligible workers had not received their payment by the date Hanes submitted its report to FLA.

In conclusion, Hanes' calculation process followed FLA standards. **The total amount that Hanes paid retroactively to El Salvador Sew workers exceeds \$300,000.**

Additional concerns

Hanes decided to carry out this process without informing or consulting with FEASIES, the complainant in the TPC, despite FLA's recommendation.² The involvement of union representatives would have ensured greater transparency in the process and provided an additional mechanism to facilitate communication and understanding of the process by workers.

It should be noted that Hanes took no action on behalf of pregnant or breastfeeding women who were erroneously deducted income tax from their maternity leave pay. At least 26 workers laid off in November 2023 were affected by this situation, as noted in the TPC investigation report. FLA has no information on how many more pregnant or breastfeeding women were laid off before the plant closed in September 2024. Hanes should have paid these amounts retroactively or provided free assistance to workers to request a refund of income tax payments from the Ministry of Finance in El Salvador.

Although the investigation of the TPC did not identify any non-compliance with income tax withholdings to union representatives, FEASIES commented that union representatives affiliated with its federation also had income tax deducted from their fuero sindical payments.

Concrete results due to stakeholder engagement

FEASIES, as the complainant in the TPC, was essential to starting the investigation and later demonstrated not only the incorrect calculation of severance pay for workers dismissed at El Salvador Sew, but also several other non-compliances with FLA's Workplace Compliance Benchmarks throughout Hanes's mass layoff process.

Finally, FLA emphasizes the important role of FLA member universities and the leadership of [Unrivaled Teamwear](#) in this remediation process. Unrivaled Teamwear, the parent company of Champion Teamwear, Gear for Sports, and Knights Apparel, is now an [FLA Participating Company](#).

Despite the initial challenges in the remediation phase of the El Salvador Sew TPC, workers received full compensation of their severance payment in compliance with the higher standard, in this case the FLA Workplace Compliance Benchmarks.

² Federación Sindical de Asociaciones y Sindicatos Independientes de El Salvador