



El Salvador Sew: Report on the Status of Remediation/Corrective Action Plan

May 5, 2025

HanesBrands Inc. (Hanes) announced in mid-November 2023 that it would be closing one of its owned sewing plants in El Salvador in the first quarter of 2024. It planned to gradually close the El Salvador Sew plant, with more than 1,500 employees, starting November 17, 2023. On the day the closure was announced, approximately 50% of the workforce was laid off. The company informed the workers that all local legal requirements would be met, including regarding severance pay.

The Federación Sindical de Asociaciones y Sindicatos Independiente de El Salvador (FEASIES) filed a Third Party Complaint (TPC) with the Fair Labor Association (FLA) days after the closure announcement and the mass layoff. The TPC alleged serious violations of local laws and FLA's Workplace Code of Conduct and Compliance Benchmarks governing compensation, terminations, freedom of association and non-discrimination.

FEASIES' main allegations focused on 1) the incorrect calculation and payment of severance for workers terminated in November 2023, noting that El Salvador Sew failed to calculate and pay workers' compensation under FLA standards as this plant had a practice of advancing workers' severance compensation on an annual basis; and 2) non-compliance with FLA standards regarding the implementation of massive downsizing and plant closure.¹

Hanes, when the complaint was filed, was an FLA member company and one of the largest employers in El Salvador. Initially, FLA attempted to resolve the complaint through direct engagement with Hanes and the complainant to remediate, but after three months with no effective resolution from Hanes, FLA initiated the TPC investigation in March 2024.

The investigation was conducted by an independent expert, Ena Nuñez O'Brien, and the independent investigation report was published at the end of June 2024.²

The investigation process presented some significant challenges. Hanes did not provide the investigator full access to key information, such as payroll information, historic payroll records concerning the advance severance payments paid to workers over the years, or the personnel files of the dismissed and active workers at El Salvador Sew. In addition, she was restricted from interviewing on-site active workers at the time of the investigation. The investigator only had access to 39 personnel files out of the more than 700 workers dismissed in mid-November. It was therefore not possible to determine the total amount owed to the workers as severance pay.

¹ FLA Workplace Compliance Benchmark ER:15.4.1

² See full report here <https://www.fairlabor.org/reports/el-salvador-sew/>

Despite these challenges, the investigation process uncovered a significant number of non-compliances by Hanes during the implementation of the massive downsizing and closure of the El Salvador Sew plant. The investigator corroborated that all workers with four or more years of seniority were owed additional severance payments. This credit balance in favor of these workers was calculated by subtracting the severance advances received during their employment relationship from the total severance workers must have received based on the calculation of workers' salary by the seniority accrued at the time of termination, as required by local regulations.

Hanes's implementation of the mass retrenchment was also questioned by the investigator. The investigator confirmed that the company failed to consult with workers' representatives prior to the retrenchment and closure plan being implemented. Hanes did not effectively communicate the concrete closure plan to workers, incorrectly deducted taxes for pregnant workers, incorrectly documented worker terminations as voluntary resignations, and the factory failed to take actions to mitigate the negative impacts of plant closure.

After the publication of the El Salvador Sew investigation report, FLA advanced to the remediation phase.

In the early stages of the remediation phase, Hanes showed a cooperative attitude. Members of Hanes's compliance team expressed their commitment as a company to comply with the highest standards, in this case the FLA Workplace Compliance Benchmarks, and the proposed remediation action of back paying the balance owed to workers' severance.

Hanes did not submit the first draft of the Corrective Action Plan (CAP) until October 11, 2024. During the preceding months, and despite many efforts from the FLA investigations team, Hanes delayed the submission of the CAP.

The remediation phase of this investigation occurred in the midst of two relevant processes:

1. The sale of Champion Activewear, a brand owned by Hanes, to Authentic Brands Group. The acquisition was made official on September 30, 2024. Champion's U.S. collegiate apparel business will go forward under a new license with Unrivalled Teamwear (Fanatics is an investor). It is important to note that El Salvador Sew used to produce Champion products.
2. The El Salvador Sew plant continued to operate for months after the announcement of the scheduled closure in the first quarter of 2024. The workers were uncertain of the factory's final closure date for several months. The plant was closed on September 27, 2024, and Hanes had not implemented any of the FLA recommendations up to this point.

FLA reviewed the CAP and detected an incorrect characterization by Hanes of the actions recommended in the investigation. In addition, at this stage, Hanes characterized some actions as "not applicable," attempting to disassociate itself from taking remedial action. This included its firm position that it would not comply with FLA's recommendation to pay retroactively for the

improper payment and owed balance of workers' severance payment. FLA provided written feedback on October 18, 2024.

On October 24, Hanes representatives and FLA's regional manager for Latin America held a call to review, point by point, what was required to move forward in the remediation phase. Hanes's commitment was to send a new version of the CAP in less than a week, but it was never submitted.

FLA was clear about the potential consequences and repercussions of non-compliance with the FLA Workplace Compliance Benchmarks and the failure to implement the TPC investigation recommendations. With the announcement of the sale of Champion Activewear by Hanes, the case took on more relevance. Some members of FLA, especially universities, requested information of the status of the case due to the lack of remediation; specifically, members were concerned about Hanes's violations of the law and the FLA Workplace Standards of Conduct, which were substantiated by the investigation even after the plant shutdown.

This concern extended to other local stakeholders and other FLA-affiliated companies sourcing from El Salvador, as advance payment of workers' severance has been a controversial practice for years in the garment sector.

Up to this point, Hanes representatives insisted on the company's interest in maintaining its affiliation with FLA.

FLA kept FEASIES representatives informed of Hanes's lack of response. FEASIES was concerned that the delay in the remediation of the investigation's findings not only violated workers' rights but also could lead to challenges with its members. As a means of pressure, FEASIES publicly denounced Hanes for improper severance payments to laid-off El Salvador Sew workers prior to the plant's closure.³

After a couple of weeks of silence, on December 11, Hanes requested a call with FLA's social compliance team, which also included FLA's senior vice president of investigations and engagement. Hanes gave notice on this call of its decision to disaffiliate from FLA. Hanes's disaffiliation became effective, and FLA informed FEASIES of Hanes's decision and thus the closure of the TPC investigation at El Salvador Sew without the remediation of any of the recommendations.

Conclusions and Next Steps

El Salvador has been one of the countries from which FLA receives the highest number of Third Party Complaints. The independent investigations of allegations of possible labor rights violations carried out in the country by FLA have, in many cases, resulted in successful remediation processes and application of the highest standards of protection in favor of workers in the garment sector.

³ See FEASIES post [here](#).

All El Salvador Sew workers received partial severance pay, and the plant closure process was fraught with a number of irregularities as identified by the independent TPC investigation.

FLA reiterates that the practice of advancing compensation to garment workers in El Salvador should not be used to undermine workers' labor rights. All companies that remain affiliated with FLA should ensure that they apply, in case of doubt with local law, the highest standard that protects workers' rights. In this particular case, companies must comply with, and ensure that their suppliers comply with, FLA's benchmarks regarding the calculation and payment of severance pay.

FLA will continue to monitor compliance with this benchmark amongst its members, through SCI assessments, Third Party Complaints and any other available monitoring mechanisms.

Finally, FLA is in discussions with other stakeholders to seek an alternative solution for the El Salvador Sew workers.