

Hong Seng Final Summary – June 2026

On March 22, 2024, the Fair Labor Association received a Third Party Complaint regarding a Thai supplier for Nike, a Fair Labor Accredited company. The complaint concerned alleged labor violations at Hong Seng Knitting Co. Ltd. in Bangkok, Thailand in May and June 2020, during the early stages of the COVID-19 global pandemic. Although Nike no longer sources from Hong Seng, it continues to have a sourcing relationship with Ramatex, which is a joint venture partner of Hong Seng in Cassia Garment (a Nike supplier).

The complaint, which was filed by a member of FLA's University Caucus, presented three allegations:

- Illegality of mandatory unpaid leave for Hong Seng workers during a pandemic-related suspension of operations at the factory;
- Coercion of workers to accept this unpaid leave; and
- Retaliation against workers who refused to accept unpaid leave.

Similar allegations were previously raised by another organization, outside of the FLA framework. However, due to the constraints of COVID, the original investigation by that organization was incomplete, in terms of the scope of worker engagement (interviews were conducted with 11 of approximately 3,000, or less than one-half of one percent, of workers at the factory); the inability to visit the factory or engage with workers in-person; and lack of access to payroll records. No workers other than the original complainants were interviewed as part of the previous investigation, and no remediation for workers was secured.

Background

At the outset of the pandemic, workers at Hong Seng were concerned about potential exposure to the COVID-19 virus in the workplace. In addition, Hong Seng experienced a significant decline in orders in the first months of the pandemic, including no orders from Nike. In April 2020, the factory's Employee Welfare Committee (an elected group of worker representatives) met with factory management to examine the possibility of workers taking unpaid leave. In May 2020, the factory management asked workers to consent to taking additional unpaid leave because of the decrease in orders. The factory resumed normal operations by mid-June 2020; most workers took a total of nine unpaid leave days.

The relevant FLA Compliance Benchmark to this case is HOW19, which addresses suspension of work. This benchmark notes that work suspension may only be done in

accordance with national laws, regulations, and procedures. In addition, workers should be paid in full during periods of suspension unless national laws stipulate otherwise; workers and their representative organizations agree otherwise; or the relevant national authorities authorize an alternative arrangement.

Investigative Process

FLA's investigation was conducted over the span of seven months by an expert in Thai labor law, using FLA's proven investigative methodology.

FLA commissioned independent investigator Professor Panthip Pruksacholavit to investigate the allegations. Professor Pruksacholavit is an associate professor of law at Chulalongkorn University in Bangkok with a JSD in labor and employment law and comparative law.

The investigation examined the allegations in the context of FLA's Workplace Code of Conduct and Compliance Benchmarks as well as local, Thai law; the higher of the two standards is the one that must be applied.

The in-depth investigation began in May 2024. The investigator gathered and assessed information from sources including interviews and surveys of hundreds of current and former impacted workers; the complainant; the factory management; Nike; and other labor stakeholders such as the Worker Rights Consortium, which conducted the previous investigation.

Both on-site and off-site worker interviews were conducted in the workers' native languages and in accordance with best investigative practices, with findings promptly communicated back directly to the impacted workers.

The number of workers surveyed and interviewed allowed the investigator to capture statistically significant and accurate data points. All on-site and off-site interviews and survey results yielded consistent findings.

The investigation also included a review of complete factory documentation (including payroll records) as well as access to Thai Department of Labor Protection and Welfare (DLPW) documentation and first-person interviews with Thai labor officials.

The investigator's report was completed in December 2024. In February 2025, Nike provided a detailed remediation plan. The findings, recommendations, and remediation are set out below. This investigation achieved full and effective remediation through engagement with Nike and other stakeholders to move this longstanding case to resolution. Implementation of the remediation was verified by FLA staff through a factory

visit in January 2026 as well as through the information-sharing and communication with Nike.

Investigation: Illegality of unpaid leave

The investigator addressed the allegations regarding the legality of unpaid leave during suspensions in two parts:

- *Legality under Thai law of leave without pay practice:* Based on the investigator's analysis of Thai law, it was not illegal to ask workers to agree to leave without pay during the suspension. However, the investigator did note that if this matter were to be brought before a Thai Labor Court, the court would assess the validity of the agreement signed by the workers, and it would consider the fairness of the agreement to the workers under a provision of the Thai Labor Protection Act.
- *DLPW ruling and its binding nature:* The investigator identified three attempts by a group of workers to file cases with a labor inspector at the Thai Department of Labor Protection and Welfare (DLPW) to seek payment for the duration of the leave without pay period. In the first two instances, the workers had refused to sign the consent for unpaid leave. These first two attempts did not reach completion through the DLPW process, but in both cases, the factory resolved the cases and settled with the workers for the amount equivalent to the days of suspension. The last complaint reached completion in its review by the DLPW. The DLPW's finding concluded that the consent form the worker signed was invalid because the worker had not understood the nature of the consent form. DLPW requested that the factory make payments for the days the worker did not agree to take leave. The investigator concluded that the DLPW decision was specific to this particular worker, and the DLPW decision was based on the worker's misunderstanding—not the invalidity of the leave-without-pay form itself.
- ***Finding & Recommendation:*** The investigator determined that the leave without pay practice of the factory complied with Thai law, but it did not comply with FLA standards or best labor practice. The investigator recommended that the workers be compensated for partial income loss for the period they were on leave without pay.
- ***Remediation:*** Hong Seng workers were compensated for 100% of the wages for the days of unpaid leave taken after May 2020. This compensation is above the recommendation in the investigation report which suggested 50% of the wages for the unpaid leave days. The compensation to current workers at Hong Seng and Cassia Garment who were employed at Hong Seng during the time of suspension

was provided as additional paid leave. If the workers do not take the additional paid leave, they could cash out the paid leave at the end of the year. For former workers of Hong Seng, they were paid 100% of the wages for the unpaid leave days.

- **Compensation for current workers:** FLA verified that all of the additional paid leave (100%) was added to the workers' accounts and that workers could cash out any unused paid leave at the end of the year. The workers were informed about the additional paid leave through announcements via bulletin boards, line leader announcements, mobile app announcements, and group meetings were held for these workers to ensure they understood this compensation.
- **Compensation for former workers:** Registered mail was sent to the last address on record for former workers to inform them of the additional compensation being paid to them. Payments to former workers started immediately after the remediation plan was put in place. The factory continued its outreach to workers who have not responded with the assistance of local organizations.

Investigation: Coercion

The investigator addressed the allegation regarding coercion in two parts:

- *Coercion of all workers to sign leave without pay document:* Based on the investigator's 537 anonymous worker surveys and 100+ worker interviews, she learned that most workers did not feel coerced to sign the leave without pay form. The investigator found that most of the workers signed the form in an effort to help the employer reduce costs in response to the significant decrease in orders that occurred at the outset of the COVID-19 pandemic. They worried that the drop in orders could result in the shutdown of the factory and some feared contracting COVID-19 virus. She did find that 11 workers refused to sign the form.
- *Coercion of those workers who refused to sign the leave without pay document:* The investigator interviewed nine of the 11 workers who refused to sign the leave without pay form. Out of those workers, one reported being threatened with termination if he did not sign. The remaining eight workers described the situation differently; they described an atmosphere that was not confrontational or intimidating. The one worker persisted in his refusal to sign and continued to work for the factory for an additional two years until he voluntarily left. This worker did not report any retaliation from factory management.

- **Finding & Recommendation:** The investigator did not find evidence of systematic coercion of all Hong Seng workers to sign the leave without pay form. She noted that there was some evidence of potential coercion toward a small number of workers, but there was not evidence of a serious and systematic threat or coercion that would induce fear in most workers to force them to sign.
- **Remediation:** Workers received refresher trainings on how to use the worker voice app available to them to submit anonymous grievances. Workers and management also received training on the factory's grievance procedures. The factories will be conducting regular refresher trainings on these topics.

Investigation: Retaliation

The investigator examined the question of retaliation in three parts:

- *Worker who was reported to the police:* One worker (identified as W1 in the report) steadfastly refused to accept unpaid leave and was vocal about the issue. W1 posted about the issue of unpaid leave at the factory on social media. The factory met with W1 and asked for the social media posts to be taken down as they constituted defamation under Thai law. Unfortunately, the factory filed a police report against W1 when the worker refused to remove the posts. The investigator found that the factory was within its legal rights under Thai law to file such a report, although the investigator noted that a detailed examination of Thai defamation law was outside the scope of the investigation. However, regardless of legality, FLA maintains that retaliation is unacceptable in any form. With that in mind, the investigator noted that “[i]n this case considerations of fairness must extend beyond strict legal provisions to ensure that equity and justice are adequately served.”
- **W1 Finding & Recommendation:** As the factory had the right under Thai law to pursue a case against W1, the actions taken cannot be considered retaliation *under Thai law*. However, punishing or threatening a worker who posts information on social media is unacceptable, regardless of the legality. The investigator recommended that the factory compensate W1 for some part of the damages suffered as a result of what happened after the factory filed its police report against W1 for the worker's social media posts.
- **Remediation:** Two anti-retaliation trainings were completed. A worker engagement and well-being survey was conducted, and the results of this survey has been shared with management and workers. Focus group discussions examined improvements that could be made based on the survey results.

- **W1 Remediation:** Kyaw San Oo, or Worker 1 (W1), received his initial compensation payment from the factory in mid-2025. Kyaw San Oo received additional compensation in December 2025 because FLA, Kyaw San Oo, Nike, and the supplier agreed to an adjusted compensation amount to provide full, rather than partial compensation. As the report observed, the COVID pandemic, the passage of time and the specific nature of Kyaw San Oo's situation, created difficulty in developing a factual record in this case and make Kyaw San Oo's case wholly unique. As the investigator related in her report, and as noted in previous case updates, she did not have the information necessary to establish more than partial compensation for Kyaw San Oo. Her recommendation, therefore, "only suggest[ed] a reasonable approach to partial compensation and [was] not intended to fully cover all losses sustained by W1." She specified that she was "not in a position to determine" a full compensation amount.

Based on the unique circumstances of the case, FLA adopted a tailored approach to determine what full compensation should entail under FLA standards, which goes above legal requirements. This involved appointing a working group and coordinating with the parties. With the concurrence of Kyaw San Oo, FLA, NIKE, and the supplier, FLA has amended the remediation plan accordingly. The additional compensation awarded is not a conclusion that Kyaw San Oo was legally owed any additional payment.

Despite these difficulties and the resulting delays, the parties demonstrated a commitment to good faith engagement and a complete resolution of the issues.

- *Worker who was terminated:* A second worker (W2) also refused to sign the consent form and filed a case with DLPW seeking compensation for the days of suspension. W2 concluded the DLPW case and received compensation. Later in the same year, when W2 needed to submit documentation related to residency information, W2's submitted information was incorrect due to a mistake from the reporting agent. As a result of this mistake, the factory terminated W2 without severance rather than allow the worker to correct the mistake. The investigator found evidence that W2's efforts to obtain compensation for the days of unpaid leave was a contributing factor to the worker's termination.
- **W2 Finding & Recommendation:** The investigator recommended that the factory compensate W2 for the retaliatory termination of W2.
- **W2 Remediation:** W2 received his compensation and formally acknowledged receipt of the funds.

- *Other workers:* The investigator did not find sufficient evidence to conclude there was retaliation against other workers.

Additional findings and recommendations

The investigator issued three additional recommendations not directly related to the allegations in the complaint.

- *Harassment and abuse:* Workers reported harassment and abuse occurring on a regular basis in the factory (neither harassment nor abuse were alleged in the original complaint). The investigator recommends the factory intensify efforts to address and eliminate the harassment and abuse issues and establish a system by which it can assess the effectiveness of such measures. The investigator also recommends that the company and the factory intensify their efforts to establish effective grievance mechanisms for the workers. For the remediation activities related to this find, please see the coercion section above.
- *Workload and overtime pay:* A significant portion of workers expressed concerns about the heavy workload and lack of additional income from overtime pay. The investigator recommends that the factory assign more realistic production targets to individual workers and offer overtime for those workers seeking additional income.
 - *Remediation:* Training was conducted on production targets and salary. Line leaders also were trained on communication of production targets, salary, and overtime protocols.
- *Transparency and cooperation:* While the investigator noted commendable cooperation from the factory and a Thai human rights organization, she also noted that some of the challenges she faced in the investigation process were due to the reluctance of some of the parties involved to disclose documentation necessary for the investigator to verify information. The investigator highlights these challenges from this investigation as a cautionary note for future investigations.