WORKER RIGHTS CONSORTIUM

Case Summary: Lido Industrias (El Salvador)
December 1, 2008

Lido Industrias was a Korean-owned apparel factory located in San Salvador, El Salvador. The plant was disclosed as a producer of collegiate goods for Russell Athletic.

The WRC found, in response to a worker complaint, that the owners of Lido Industrias abandoned their Salvadoran operation in late September 2007, dismissing approximately 1,900 workers without paying legally mandated terminal compensation, including severance, accumulated benefits, and wages for labor performed. The WRC estimated that the workers were owed roughly $1,000,000 in compensation. Workers testified that they were sent home to take an early vacation for one week from September 22 to 28, 2007, and when they returned, the front gate was locked and the plant's key machinery had been removed.

The WRC sought to locate plant management, including through communications with the Korean Embassy in El Salvador, but the managers had apparently fled the country prior to the closure. The WRC was also unable to identify any parent company or entity overseas responsible for the plant – it appears the factory was a one-site operation. At the time of the closure, the plant no longer supplied goods to Russell Athletic and none of the current buyers were brands with whom the WRC was able to initiate meaningful contact. As a result, it has proven impossible to compel remediation.

The case is an example of the "fly-by-night" operations that are still common in global apparel production. The risks that legally mandated severance will go unpaid are very high at these operations, because once closure occurs, there is often no local business entity that can be held accountable and because there is no parent company that can be pressured through its ongoing business relationships. When the owners are foreign nationals who leave the country, it is also usually impossible to hold them personally accountable.

Workers' best bet in such circumstances is to seek compensation through the liquidation, by the government, of any property that the owners have left behind. This is the course the Lido workers pursued, with some assistance from the WRC and from other actors in El Salvador. In late May 2008, workers received roughly 25% of the compensation due to them from funds generated through the sale of raw materials abandoned at the plant. In a second phase of liquidation, involving the sale of the machinery remaining at the plant, workers will obtain an additional portion of the funds owed to them. Unfortunately, it is expected that the total funds generated through this process will fall well short of what

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workers are owed.

The case is also an illustration of problems that supply chain volatility poses for university code enforcement. Lido unquestionably produced university goods. However, the relationship with Russell was limited and short-lived and was over by the time of closure. Because of this, and because university codes do not require licensees to serve as guarantors of their suppliers legal obligations, seeking compensation through Russell was not a viable option.