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Wet Seal Is Set to Settle Wage Claim; Workers say a contractor underpaid them. Retailer denies liability, but paying is 'the right thing to do.':[HOME EDITION]

Leslie Earnest. Los Angeles Times. Los Angeles, Calif.: Jan 21, 2004. pg. C.1

Full Text (990 words)

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In a decision that could reverberate through California's \$22- billion apparel industry, retailer Wet Seal Inc. is set to announce today that it has agreed to pay \$90,000 to four garment workers who said they were underpaid by one of its contractors.

The expected settlement would be the first time a retailer has agreed to pay workers under a state law that broadens the ability of garment industry employees to file claims for alleged violations of wage and hour laws.

"We're hopeful that this is going to send a message to other companies that they're liable under the statute and that they, like Wet Seal, should think proactively about how to prevent these minimum-wage and overtime violations from occurring in the factories they use," said Cassie Stubbs, an attorney with Bet Tzedek Legal Services, a North Hollywood organization that represented the workers.

The group is focusing on retailers that hire contractors to make so-called private-label clothing for their stores.

Foothill Ranch-based Wet Seal maintained it was not legally liable for the wages. But it decided that paying the workers was simply "the right thing to do," said Chief Executive Peter D. Whitford, who has spoken publicly against exploitive labor practices, including at a United Nations conference in New York last year.

"Wet Seal will not do business with manufacturers that treat their workers unfairly and unlawfully," Whitford said in a statement.

Wet Seal also agreed to give \$40,000 to Bet Tzedek to support the group's efforts on behalf of Southern California's garment industry workers.

Wet Seal is a significant player in the Southern California manufacturing scene. The company used

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Partners

more than 800 clothing factories last year, including about 200 in Southern California, said Scott Greathead, chief executive of World Monitors Inc., a New York consulting group Wet Seal hired to help it improve its workplace practices.

The Wet Seal case has been closely watched by the state's apparel industry as a test of the state law known as AB 633.

It allows California garment workers who weren't paid minimum wage or overtime to file claims against their employer, as well as against the manufacturers or retailers that hired their employer to supply it with goods.

Business advocates said the settlement might put additional pressure on companies already struggling to stay afloat in a state often criticized as having burdensome fees and regulations.

"It demonstrates that significant liability can accrue under this law," said Joe Beachboard, partner with Ogletree Deakins, a Los Angeles law firm that represents management in labor and employment disputes. A case on appeal involving Los Angeles-based Forever 21, a Wet Seal competitor, that has raised similar issues is wending its way through the courts, industry insiders said.

Ilse Metchek, director of the California Fashion Assn., said retailers shouldn't overreact to the settlement.

"To me, this is not the presumptive case," she said. "If proper contracts are in place between a retailer and manufacturer, then the retailer is not responsible."

Still, some say Wet Seal's actions could encourage other retailers that make private-label clothes to become more attuned to the treatment of garment workers.

"The vast majority of companies making apparel, even to this day, have ignored these issues," Greathead said.

"Most companies nowadays at least have a code of conduct that is supposed to articulate the standards that the manufacturers that make their products have to meet. But, in fact, very few companies do anything to enforce those standards."

It is a particularly pressing issue for California, home to 140,000 garment industry workers.

"It is more common than not, in our experience, that workers are paid less than the minimum wage in the garment industry in Los Angeles," said Stubbs of Bet Tzedek.

Wet Seal said it was developing codes of conduct to see that vendors complied with local employment laws and international human- rights statutes. It will require that all vendors sign annual certifications affirming that they and their subcontractors pay minimum wage and overtime.

"It's something we'll very diligently monitor over the years," Whitford said.

The labor dispute is one of several problems weighing on Wet Seal, the parent of 620 Wet Seal, Arden B., Zutopia and Contempo Casuals stores, which has been logging negative same-store sales since July 2002.

Wet Seal's decision to reach a settlement is likely to play well on Wall Street, especially given the relatively small amount of money involved, said Dennis Van Zelfden, an analyst with SunTrust Robinson Humphrey.

"It's best to put that behind them and go on," he said.

Wet Seal's stock jumped 10% on Tuesday, gaining 88 cents to \$9.46 on Nasdaq, after UBS analyst Richard E. Jaffe raised his rating on the company's shares to "buy" from "neutral."

The Wet Seal case involved four workers -- Rosalba Garcia, Adriana Maria Candelario, Juventina Ochoa and Andrea Beltran -- who said they worked about 68 hours a week for several years for a sewing contractor without ever being paid more than \$4 an hour. The state minimum hourly wage currently is \$6.75.

The claim named sewing contractor D.T. Sewing, earlier called Tommy Sewing, and manufacturer Rad Clothing Inc., both of Los Angeles, along with Wet Seal. The California labor commissioner ruled in the workers' favor in December 2002, awarding them back pay and damages of \$240,000. Wet Seal was deemed liable for almost \$90,000 of that amount.

D.T. Sewing and Rad Clothing both shut down without paying. Wet Seal appealed its portion of the decision, forcing the matter to Los Angeles County Superior Court.

Whitford said Wet Seal would work with labor rights groups and state officials to "help find the manufacturers responsible and seek additional payment from them for the workers."

[Illustration]

Caption: PHOTO: A FIRST: Wet Seal's expected settlement would mark the first time a retailer has agreed to pay workers under a state law that broadens the ability of garment industry employees to file wage claims.; PHOTOGRAPHER: Alexander Gallardo Los Angeles Times

Credit: Times Staff Writer

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