

NOTICE

ATTENTION NEW AND RENEWAL

GARMENT MANUFACTURING/CONTRACTING APPLICANTS

This is to make you aware of an existing law, Labor Code Section 2684 - Liability of successor to employer in sewing or assembly of garments.

Labor Code Section 2684 states:

- (a) The Legislature finds and declares that persons who are primarily engaged in sewing or assembly of garments for other persons engaged in garment manufacturing frequently close down their sewing shops to avoid paying their employees' wages and subsequently reopen under the conditions described in subdivision (b), and are more likely to do so than are other types of persons engaged in garment manufacturing.
- (b) A successor to any employer that is primarily engaged in sewing or assembly of garments for other persons engaged in the business of garment manufacturing, as defined by subdivision (b) of Section 2671, that owes wages to the predecessor's former employee or employees is liable for those wages if the successor meets any of the following criteria:
 - (1) Uses substantially the same facilities or workforce to offer substantially the same products for substantially the same type of customers as the predecessor employer.
 - (2) Shares in the ownership, management, control of the labor relations, or interrelations of business operations with the predecessor employer.
 - (3) Has in its employ in a managerial capacity any person who directly or indirectly controlled the wages, hours, or working conditions of the affected employees of the predecessor employer.
 - (4) Is an immediate family member of any owner, partner, officer, or director of the predecessor employer or of any person who had financial interest in the predecessor employer.

This section does not impose liability upon a successor for the guarantee of unpaid minimum wages and overtime compensation set forth in subdivision (a) or (b) of Section 2673.1

Labor Code section 2684 imposes liability upon a successor to an employer that is primarily engaged in sewing or assembly of garments for other persons engaged in the business of garment manufacturing for unpaid wages and penalties owed by a predecessor garment manufacturing employer as long as the successor meets any of the four criteria listed in Section 2684. This means that if you purchase an existing garment manufacturing business that in some circumstances you can be held responsible for wages owed by a prior owner.

For your protection against unknown liabilities you should conduct thorough due diligence when considering the purchase of an existing garment manufacturing business.