



Thomson Reuters Institute

Post-Katrina
Labor Trafficking
Case Studies

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Section 1: Introduction

Overview of Post-Katrina

The extensive damage caused by Hurricane Katrina in 2005 gave rise to a sudden demand for low-wage laborers to rebuild New Orleans and fill jobs vacated by hurricane evacuees. At the time, the United States government temporarily suspended protections for workers relating to wages,¹ safety, and health,² as well as immigration enforcement requirements. This led to the exploitation of foreign workers by companies and recruiters.

¹ For example, President George W. Bush, citing a “national emergency” caused by Hurricane Katrina, suspended the Davis-Bacon Act, a 1931 act contractors performing on federally funded or assisted contracts to pay their laborers no less than locally prevailing wages. President Bush believed decreasing construction costs would assist communities with the rebuilding process. At the time, his decision was met with criticism from lawmakers and the AFL-CIO, which predicted exploitation of workers. See *Bush Suspends Pay Act in Areas Hit by Storm*, Washington Post (Sept. 9, 2005), available at washingtonpost.com/wp-dyn/content/article/2005/09/08/AR2005090802037.html; see also Davis-Bacon and Related Acts, U.S. Dept. of Labor, Wage and Hour Division, available at dol.gov/whd/govcontracts/dbra.htm.

² The Occupation Safety and Health Administration of the Department of Labor also temporarily suspended the enforcement of job safety and health standards in affected parishes.

Section 2: Case Studies

Signal International

In 2006, marine services company Signal International (“Signal”) utilized the government’s H-2B guest worker program to hire 500 men from India to repair damaged oil rigs and other facilities on the Gulf Coast. Signal contracted with labor recruiters and an immigration lawyer to recruit the workers. The workers paid between \$10,000 and \$20,000 in recruitment fees and other costs, with many incurring substantial debt in order to come to the United States. Many were misled into believing they would receive I-140 permanent residency visas instead of the H-2B temporary work visas they actually received. Signal eventually terminated its relationship with one of the recruiters, Global Resources, after learning that the laborers paid significantly more in fees to Global than Global admitted to Signal. When the laborers arrived, they faced living and working conditions that were unsanitary and restrictive. The men were charged \$1,050 per month to live in labor camps where over twenty men shared living quarters in a single trailer. When some men sought residence outside the camps, Signal told them they would still be charged \$35 per day. Signal also threatened workers with deportation when they complained of the conditions. Many workers became outraged and went on strike. In 2008, approximately one hundred workers left their jobs and began marches, protests, and a hunger strike in Washington, DC, capturing the attention and support of members of Congress and national workers associations. The strike ended with a rally at the U.S. Department of Justice, which began its own investigation of Signal.

Through the Southern Poverty Law Center, more than 225 laborers filed suits in federal court in 2008 against Signal, Global Resources, and the immigration lawyer, asserting violations of their rights under the Trafficking Victims Protection Act of 2000, the RICO Act, the Civil Rights Act of 1866, the Ku Klux Klan Act of 1871, the Fair Labor Standards Act, and claims for damages arising from fraud, negligent representation, and breach of contract. Seven years later, in 2015, the first of the cases went to trial, and the jury awarded the plaintiffs in that case \$14 million in damages. *David et. al. v. Signal Int’l, LLC*, No. 08-cv-1220 (E.D. La.). Signal had filed cross-claims against the recruiters and the immigration lawyer for breach of fiduciary duty, fraud, and indemnity, but the cross-claims were denied. Shortly after the jury verdict, Signal reached a \$20 million settlement with the majority of the Indian laborers whom they had brought to the United States, and Signal was forced to file for Chapter 11

bankruptcy to implement the settlement.

The EEOC filed a related action against Signal in 2011. *EEOC v. Signal Int'l LLC*, No. 2:12-cv-557 (E.D. La.). The EEOC action alleged that Signal engaged in unlawful activities, including:

- Requiring the laborers to live in camps in crowded and substandard housing conditions
- Subjecting the laborers to oppressive conditions, such as providing poor quality food and subjecting them to searches and seizures
- Refusing or restricting their rights to have visitors
- Charging monetary penalties for rule violations
- Deducting in excess of \$1,000 per month from wages for food and housing
- Limiting the laborer's freedom of movement and access to the local community

In late 2015, the EEOC and Signal entered into a \$5 million settlement, providing further relief for the aggrieved Indian workers.

Filipino Teachers

After Hurricane Katrina, Louisiana faced a shortage of teachers. Several school districts in Louisiana used Universal Placement Agency, a California-based recruiter, to help find teachers from the Philippines. With the assistance of Universal Placement Agency, representatives from the school districts flew to the Philippines to interview candidates. The prospect of paying jobs in the United States was enticing to many Filipinos. Thousands of applicants were interviewed in the Philippines, and less than 400 teachers were hired to fill the positions.

Universal Placement Agency then began the process of helping the hired teachers apply for H1-B visas — which permits foreign nationals with special skills to work in the United States for up to six years. Although Universal Placement Agency informed the teachers at the outset that they would have to pay a \$5,000 nonrefundable recruitment fee, the agency did not disclose that the teachers would be required to pay to the agency a second, much larger recruitment fee, to leave the Philippines. Only after the agency had received in hand the teachers' approved visas and passports from the U.S. Embassy did it inform the teachers of the second fee. With many teachers having gone into debt after paying the initial \$5,000 fee, many gave in to Universal Placement Agency's demands, each paying the agency a total of \$16,000 in fees to secure their jobs in the United States. After arriving in the United

States, some teachers complained about the high costs of their housing arrangements and complained about the agency, only to be met with repeated threats of deportation from the agency.

Through the Southern Poverty Law Center, the teachers filed a class action lawsuit in a California federal court against Universal Placement Agency, alleging violations of the Trafficking Victims Protection Act of 2000, RICO violations, violations of California's employment statutes, violations of the California Unfair Competition Law, fraud, negligent hiring, and other state and common law claims. *Mairi Nunag-Tanedo, et al., v. East Baton Rouge Parish School Board, et al.*, No. 8:10-cv-1172 (C.D. Cal.) (filed Aug. 5, 2010). In 2012, a jury awarded the class \$4.5 million in damages, finding that the agency had not violated the Victims of Trafficking and Violence Protection Act, but had violated the California employment and unfair competition laws and had made negligent misrepresentations to the plaintiff class. The judge further awarded \$1.3 million in attorneys' fees.

Decatur Hotels

In 2006, a lawsuit filed by the Southern Poverty Law Center claimed that Decatur Hotels violated the Fair Labor Standards Act when the company failed to reimburse various Central and South American hotel guestworkers for the exorbitant fees each worker paid to recruiters who brought them to work in hotel jobs vacated by Katrina evacuees. The workers paid between \$3,500 and \$5,000 in fees, and many found themselves working less than 25 hours per week after being promised a minimum of 40 hours per week by the recruiters. The lawsuit claimed that after taking into account the fees paid by the workers, the workers compensation fell below minimum wage requirements.

A 2009 FLSA Bulletin clarified that the travel and visa expenses for workers under H-2B visas are primarily for the benefit of the employer, and should be accounted for in ensuring the employees are paid a prevailing wage under the FLSA.³ Unfortunately for the Decatur guestworkers, a federal appeals court ultimately held that the 2009 FLSA Bulletin would not apply retroactively to their grievance. *Castellanos-Contreras v. Decatur Hotels, LLC*, 622 F.3d 393 (5th Cir. 2010).

³ Field Assistance Bulletin No. 2009-2, U.S. Department of Labor (Aug. 21, 2009), available at [dol.gov/whd/FieldBulletins/FieldAssistanceBulletin2009_2.pdf](https://www.dol.gov/whd/FieldBulletins/FieldAssistanceBulletin2009_2.pdf).

Thai Workers

In 2007, a group of Thai workers filed a federal lawsuit against Million Express Manpower Inc., claiming the company held them captive — sometimes with guns — while the workers were transported to New Orleans to demolish flooded buildings after Katrina. The workers had previously paid \$11,000 each to obtain agricultural jobs. The workers won a nearly \$1 million default judgment against Million Express Manpower in 2009, but it appears they may not have been able to collect on the judgment due to insolvency of the company. *Asanok et al. v. Million Express Manpower, Inc. et al.*, No. 5:07-cv-48 (W.D.N.C. Oct. 24, 2009).