

Minutes of the WRC Board Meeting September 19, 2014

Attending the meeting were Jim Wilkerson, Marybeth Schmutz, Scott Fleming, Everett Mitchell, Scott Kelley, Katie Quan, Jill Esbenshade (via phone), Julie Martinez Ortega, Jeff Hermanson, Elizabeth Bunn, Maya Menlo, Sarahi Soto-Talavera, Mark Ortiz, Lorelei Christie, and Nida Ahmed. WRC staff members in attendance were Scott Nova, Ben Hensler, Jess Champagne, Theresa Haas, and Lynnette Dunston.

Outgoing board members Youbin Kang and Sarah Newell joined by phone for the election of new board members.

Observers in attendance were Joe Ebaugh, University of Maryland; Juanita Edwards, American University; Lisa Hull, University of Wisconsin-Madison; and USAS representatives Morgan Currier and Julia Wang.

The meeting was called to order at 9:13 a.m. by Board Chair, Katie Quan.

Agenda Review: The discussion of WRC fee structure was moved to the executive session.

Board Meeting Minutes of June 11, 2014: Jim Wilkerson motioned to approve the minutes and this was seconded by Everett Mitchell; the minutes were unanimously approved.

Board Member Elections: Maya Menlo motioned to nominate the four new USAS board members: Sarahi Soto-Talavera, Mark Ortiz, Lorelei Christie, and Nida Ahmed; Jim Wilkerson seconded the motion. The new USAS board members were unanimously approved. Jim Wilkerson motioned to nominate Scott Kelley to serve as a University Caucus board member; Scott Fleming seconded the motion. Scott was unanimously approved.

Board Office Elections: Sarahi Soto-Talavera motioned to nominate Maya Menlo to serve as Board Chair; Nida Ahmed seconded the motion. Maya was unanimously elected. Jim Wilkerson motioned to nominate Scott Fleming to serve as Secretary; Everett Mitchell seconded the motion. Scott was unanimously elected. The election for Treasurer was moved to after lunch so that the Advisory Council members could convene to discuss their nomination.

Executive Director's Report: Scott began by stating that three new universities had affiliated with the WRC since the last meeting: University of Vermont, Spelman College and Swansea University. Scott noted the disaffiliation of University of Southern California, due to its exclusive licensing agreement with Silver Star Merchandising, an apparel manufacturer and distributor owned by the Dallas Cowboys, which, in USC's view, makes much of the WRC's work less pertinent to the University.

Scott continued with organizational news. The first week of September, the WRC held a meeting in Bangkok with all Asia-based field representatives, which most of the US program staff attended. Jess noted the four main focuses of the staff meeting: building connections among the

staff, developing strategy and creating space for conversation between the US staff and field staff, building people's skills, and sharing best practices.

Scott then provided an update on the minimum wage situation in Haiti. The WRC produced a report last October which found across the board, among garment factories in Haiti, employers were not paying the legal minimum wage. There is an unusual two-tier minimum wage structure in Haiti: the lower tier wage is approximately \$0.56/hour and the second tier is approximately \$0.84/hour. The higher tier is specifically for piece rate workers, which is the majority of workers in Haiti. Haitian law states that any worker who works on piece rate and has been employed for over three months has to receive the higher tier; however, virtually all employers ignore the provision and most factories pay few or no workers the higher tier of the wage. The WRC found that workers are getting a third less in take home pay than they are legally required to receive. The WRC has recommended that university licensees and brands in general work to address this problem. The WRC focused on the three biggest brands producing in Haiti – Fruit of the Loom, Hanes and Gildan – and asked each of them to require their contractors in Haiti to begin paying the legal minimum and to commit to stay in Haiti, with modest price increases which will result from the wage increase. All three brands publicly committed to require their contractors to pay the proper minimum wage. The WRC has asked the brands to go further and insist on substantial back wages for the years that this problem as existed; the WRC has not gotten that commitment. The WRC has also urged the brands to sign agreements directly with the worker representatives in Haiti, which they have not done. However, brands have insisted that employers sign agreements. To date, employers have in two cases signed agreements locally with worker representatives committing to pay the higher tier of the wage. A third agreement is pending. CODEVI is currently the only factory in Haiti that has a functioning collective bargaining agreement, which covers all workers in the CODEVI free trade zone. Going forward, the WRC's focus will be, via on-the-ground research, determining whether these employers are actually complying with paying the minimum wages. In addition, a new report will be released mid-October from the ILO Better Work Program which will report on what percentage of workers at each factory are receiving the higher tier of the minimum wage. The WRC will also be working with workers and unions to help train them to improve their ability to monitor wage compliance on an ongoing basis.

Next, Scott discussed Yue Yuen, the footwear manufacturer in China owned by the Pou Chen Group, the largest producer of athletic shoes in the world. As reported in the last board meeting, Yue Yuen has failed to make part of the legally required payments into the public social security system for a period of years, which then led to major strikes at the factory by workers. The owners essentially acknowledged the violation and pledged to fix it going forward, though with no clear commitments on back benefits. The WRC contacted brands using the facility, including adidas and Nike, both of which were sourcing university logo running shoes from the factory and asked them (a) what they intended to do about the problem and (b) for guidance to understand how their monitoring systems could have failed to detect these violations over a period of years. To date, the WRC has received a substantive response from adidas; however, the WRC has yet to receive a substantive response from Nike, despite numerous attempts to obtain one and despite a communication sent to schools expressing concern about this, on which some universities then followed up with Nike. It concerns the WRC to have a major licensee simply failing to address significant labor rights violations at a university factory.

Furthermore, Nike has notified the WRC and some universities recently that they no longer intend to provide disclosure information to the WRC, CLC, LRG, or universities directly. Instead, Nike's plan is to direct everyone to their corporate website, which includes disclosure for all of Nike's supplier factories and which has a mechanism to identify which of those factories produce university logo product. Nike's unwillingness to disclose directly to universities and their agents has two practical implications. Firstly, the WRC will not be able to incorporate this data into our online database, which is the only functioning online database of factories producing university logo product, rendering the database less functional and less useful to universities, students and the general public. Secondly, although the data provided on Nike's website is informative, Nike does not provide school-specific data. Universities will now not know whether their particular garment is being made at a factory. Nike's obligation under most licensing agreements is to disclose to each university the specific factories used to produce goods bearing that university's logo. Therefore, Scott notes, Nike's failure to provide school-specific data technically constitutes a violation of university codes of conduct. Board members then provided feedback on these two substantial issues relating to Nike. There was a general consensus that Nike's unresponsiveness to the Yue Yuen case and its failure to disclose factory data directly to schools is problematic, but probably not something schools will wish to have a substantial conflict over. Scott noted that, practically, schools will have to assume that their products are being manufactured in all factories where Nike is producing collegiate apparel.

Scott then provided a brief update on Alta Gracia. The Alta Gracia brand has substantially broadened its volume in bookstores, both due to greater commitments from the bookstore chains, rising volume at some stores, and special order projects, such as at Notre Dame. There are indications possible additional hiring in the months ahead. Scott said that such an increase would be encouraging to see. A new report was issued in August by John Kline, Georgetown University and Scott distributed copies to the Board. Scott also reported that the WRC will be conducting workshops with the Alta Gracia union designed to ensure workers are fully informed about the nature of the project, the importance of its success, and the methods used in unionized factories to increase productivity. Scott then spoke generally to offer thoughts about how the living wage issue can be moved forward in a broader scope, beyond Alta Gracia.

Update on Bangladesh Accord Implementation: Scott showed a video of a fire that broke out on the lower levels of a multistory factory in Mirpur, Bangladesh. The video, which shows workers balancing on ledges at a height of five stories and shimmying down drain pipes, exemplifies the dangerous results of a fire in a factory where there are insufficient fire doors and fire exits. Because the stairwells had filled with smoke and become impassable, workers had to escape via upper level windows to neighboring buildings, using ledges and make-shift bridges created using scrap wood – essentially, Scott said, becoming “involuntarily, high-wire performers.” No one was killed in the incident. Scott noted that installation of fire doors and ensuring fire separation to keep exits stairs clear of smoke, is a primary focus of the Bangladesh Accord's fire safety program.

Scott continued with updating the Board on the progress of the Accord inspection work. All three categories of inspection – structural, fire and electrical – will be completed by the end of the month. By the end of the year, hundreds more factory action plans will be uploaded to the

website. Among the 257 reports currently available online, a total of 11,092 violations have been identified; generally the same violations were found in every factory. The Accord is now in the process of addressing these violations. As of August, there were 103 factories (approximately 10% of the total number of factories inspected) identified as needing immediate remediation due to severe structural issues. Of the 103 cases, 28 detailed engineering assessments (necessary in all such cases) have been completed, 45 are in progress, and 30 are pending. Also, of these 103 cases, there were 24 factories (in 16 buildings) where the problems were so grave as to require decision partial or total emergency evacuation and temporary closure of the facility (approximately 2.5% of the total factories inspected). Of the 24 factories, it was possible for 11 factories to reopen in part or in whole quickly, as a result of a very substantial reduction of weight loads. In 13 of the factories, it's been necessary to close them temporarily on an ongoing basis. There were cases where the owner has refused to close the factory. In these cases, other mechanisms have been utilized, including (a) the legal authority of the government, (b) the economic power of the buyer, and (c) publication of notices by the Accord of unsafe factories where the owner is still operating. The good news is that all of the factories that should be closed are now closed.

There are now on the Accord website inspection reports and action plans for five collegiate factories. The Accord's authority and inspection power is being utilized to enforce university codes.

An issue that has arisen, which the Accord and the WRC will be working on in the weeks ahead, is workers, themselves, getting involved in fighting fires. Scott noted a new article published by the Financial Express reporting how VF Corporation commended workers who went back into a factory, Medlar Apparel, at the request of management, to fight a fire. Scott explained that the sole purpose of this was to protect property, and not to protect lives since the facility was already completely evacuated. The issue here, Scott said, is that in Bangladesh there is a long tradition of managers asking workers to essentially be firefighters, through employee "fire brigades." The belief in the industry is that this is a positive safety practice. However, under modern safety standards, this is unacceptable. Anything beyond a very small, well-contained fire, such as one in a small garbage can, requires workers to leave the building, not try to put out the fire. The only exception to this rule is in large enterprises where there may be a professionally trained and equipped worker fire brigade. However, there is no factory in Bangladesh with this level of training and equipment. Scott said there will need to be a process of education on this issue.

Lastly, Scott discussed the recent anti-union violence in Bangladesh. In response to the tremendous pressure on the Bangladesh government in the wake of the Rana Plaza collapse and the decision of the US to impose trade sanctions, the Bangladesh government is now following its own law and registering some factory-level unions once they meet the membership threshold to be legally recognized. There are now over 200 registered unions in garment factories in Bangladesh; three years ago, there were only a few registered unions. Scott said that some factory owners are now beginning to respond to this wave of organizing by using violence to discourage workers and organizers from proceeding. In recent months, there has been a series of violent assaults on union leaders and organizers at more than 15 factories. These attacks have a chilling effect on workers across the board, including university facilities. Two new cases have come up in recent weeks. The first case occurred at Global Trousers, a factory owned by the

Azim Group. There has been a history of harassment against union leaders at the factory, which was previously documented by the WRC, dating back to 2011 when the union was first registered. The harassment escalated in July and August of this year. On August 26, the union president was attacked by masked thugs outside the factory after her shift and beaten with iron rods. Factory management made ludicrous statements after the attack, including blaming the attack on a marital dispute. In the second case which occurred at Designer Jeans Limited, there was a police attack on a union organizer and five workers were jailed on false charges. Three of the five jailed workers are now out on bail as a result of brand pressure. Two hundred workers were fired because they peacefully protested previous firings of union leaders. The WRC has reached out to each of the buyers in the cases to ask factory management to take a series of steps for remedial action, including (a) compensation for the victimized workers; (b) reinstatement of workers; (c) management to stop its various efforts to destroy the union; (d) an agreement with the union on ground rules for labor; (e) management engaging at the factory and a statement to workers, printed and read aloud, making it clear that management is not going to attack or discriminate against workers in the future for being in the union; (f) and management to bargain in good faith. The WRC will know more in the weeks ahead as to whether progress on be achieved in these cases.

Executive Session/Board Meeting Minutes of June 11, 2014: An executive session was held to discuss confidential personnel and financial matters. The date for the next Board Meeting was set for January 30, 2015.

Board Office Elections (continued): Julie Martinez Ortega motioned to nominate Elizabeth Bunn to serve as Treasurer; Jeff Hermanson seconded the motion. Elizabeth was unanimously approved.

Field Staff Report: Jess provided an update on the crackdown on wage protests Cambodia. Workers were engaging in massive protests for a large increase of the minimum wage, which is among the lowest in the world. Several persons were shot and killed by military police in January, during peaceful protests, and 24 protestors were arrested, beaten and ultimately convicted of crimes, without evidence. At this same time, the Garment Manufacturers Association in Cambodia and 170 of its members filed a lawsuit against six of the union federation presidents, accusing them of intentional violence, property destruction with intent, incitement and blocking of public roads. The government's Tripartite Labor Advisory Committee had reported in 2013 that one individual's basic needs cost \$155-\$177/month and proposed this as the proper minimum wage. When the government instead announced a minimum for 2014 of \$95/month, worker outrage led to the protests. In response to the protests, the government did increase the minimum wage further to \$100, but this was still far below the level proposed by the Advisory Committee. The government also announced that the wage for 2015 would be set in October 2014. During this year, labor unions have continued to press for an increase to \$177.

Jess then moved on to discuss a factory-specific case in Cambodia. The factory was illegally using fixed duration contracts for workers with more than two years of service. The company also (a) failed to pay workers for first day of work; (b) failed to provide required paid sick leave; (c) failed to provide maternity leave; and (d) implemented unreasonable restrictions on bathroom

access. To date, there has only been partial remediation. The WRC will be reaching out to licensees and will be reporting back on the case as it develops

Jess delivered a brief update on Manufacturas del Rio (MDR)/Central American Cutting Center (CCC) in El Salvador. The factory had closed unexpectedly on January 7. Approximately 1,200 workers were owed roughly \$1.6 million in severance, plus their final week's wages.

Government pension and health care funds were owed approximately \$30,000-60,000. WRC has worked with brands to encourage full payment. An initial payment has now been made to workers and the brands have pledged that all workers will be paid. The WRC is trying to get an inventory of assets to make an assessment as to whether a pending auction of factory assets will generate sufficient revenue to make workers whole.

Ben informed the Board that the WRC may do some monitoring work for the U.S. Department of Labor Wage and Hour division. DOL agreements resolving wage and hour violations now include a provision which requires factories to submit to outside monitoring of worksites; however, this had been unsatisfactory, as employers have been allowed to choose the monitors themselves. DOL has been talking to the WRC about independent monitoring.

The meeting was adjourned at 3:50 pm.