

To: Primary Contacts at WRC Affiliated Colleges and Universities  
From: Scott Nova, Worker Rights Consortium  
Date: June 20, 2006  
Re: Code of Conduct Violations at Paxar (Turkey)

I write to inform you of serious, ongoing code of conduct violations at a production facility in Turkey owned by the New York-based Paxar Corporation. Paxar is one of the world's largest suppliers of garment labels, tags and printing systems for apparel brands and retailers. The Turkish facility in question manufactures labels and prints logos and designs for a number of major apparel brands, including Adidas, Nike, and Puma.

Given the company's size and prominence in the industry as a supplier of labeling products, we consider it likely that a substantial number of university licensees are among Paxar's customers, in addition to Adidas and Nike. While none of Paxar's facilities have been disclosed as suppliers of university logo apparel, this is not surprising given that licensees generally only disclose production sites where primary garment manufacturing occurs, and generally do not disclose suppliers of labels, trim, or other secondary components.

### **Code of Conduct Violations at the Paxar Facility**

The WRC has identified serious and clear-cut violations of Turkish law and applicable codes of conduct at Paxar's Turkey facility. The key outstanding violations include the factory's refusal to reinstate a group of workers whom the company terminated illegally in retaliation for the workers' association with a trade union, and the factory's refusal to recognize and negotiate in good faith with the trade union which has been authorized under Turkish law to negotiate with the company on behalf of its members. With respect to each issue, the conclusion that Paxar is in violation of applicable codes of conduct is unavoidable even looking solely at facts that are not disputed by any party. Despite months of engagement by the WRC, as well as by some brands and multi-stakeholder initiatives, Paxar has refused to take appropriate action to remediate the violations.

#### *Unlawful terminations*

With respect to the termination of employees, the WRC concluded, based on a review of the facts of the case, that the termination of a group of 11 employees in early 2005 was unquestionably unlawful. This conclusion is based on the timing of the terminations (which took place in the midst of a union organizing drive in the facility), the identity of specific individuals terminated (each key leaders in the unionization effort), other circumstances related to the firings, and the lack of any compelling counter-explanation by Paxar for the terminations.

This conclusion is further supported by the rulings of the Turkish High Court of Appeals, which found in the case of each of the 11 workers that the terminations were unlawful. In the case of six of the eleven workers who had been employed by the company for more than six months, the Turkish Labor Court ruled that the workers were fired illegally for union activities and ordered their reinstatement. The High Court of Appeals upheld the basic ruling that the firings were unlawful and that Paxar was required to reinstate the workers. The High Court did not find sufficient evidence to reach a conclusion as to whether the firings of these six workers were specifically motivated by anti-union animus; however, the Court nonetheless concluded that the firings were unlawful. The Court's decision stated, "It was decided that termination of work contract is null, worker shall be reinstated." Despite acknowledging this unambiguous decision, Paxar has refused to abide by the ruling and reinstate the workers.

In the case of an additional five workers, who had been employed by the company for less than

six months, the Labor Court and the High Court of Appeals found they had been fired specifically because of their union organizing activities. However, because of their tenure in the factory, the workers could not seek automatic reinstatement under Turkish law.

For several months, Paxar held the position that it has no obligation to offer reinstatement to any of the eleven workers. In recent days, Paxar has committed to reinstating the five workers who had been employed for less than six months. However, none of these workers have been reemployed to date, and recent moves by Paxar to end negotiations with the union that represents these workers cast doubt on the credibility of Paxar's pledge to reemploy these workers. With respect to the other six fired workers, Paxar continues to refuse reinstatement.

In addition to the 11 workers discussed above, there is evidence indicating that at least four additional workers were dismissed unlawfully in late 2005 for their union activities, and another in April 2006 shortly after joining the union.

#### *Refusal to bargain with trade union*

With respect to the issue of collective bargaining, Paxar has refused to abide by an explicit ruling by the Turkish Ministry of Labor to recognize and commence collective bargaining with a trade union lawfully authorized to represent workers. In November 2005, citing a finding that a majority of the plant's workers had elected to be represented by a union, the Turkish Ministry of Labor granted the Turkish trade union TEKSİF authority to negotiate a collective bargaining agreement with Paxar on behalf of its members. However, despite publicly acknowledging this unambiguous decision, Paxar has failed to engage in meaningful collective bargaining with the trade union.

On repeated occasions, Paxar has committed to commence a process of bargaining with the union, but has reneged on its commitments on each occasion, canceling a series of planned meetings. Though the union authorization was granted more than six months ago and the union has since presented management with several contract proposals, and despite several meetings between the trade union and the company, thus far Paxar has failed to offer a single counter-proposal, opting instead to debate the trade union's legitimacy and to ridicule the union in communications with brands, monitoring groups, and worker advocates. On June 19, the most recent day fixed to begin contract negotiations, Paxar cancelled the planned meeting with worker representatives and announced publicly that it was not interested in further pursuing negotiations with the union.

#### **Further Information Gathering and Remedial Action**

In order to address the above-mentioned violations, it will be necessary for brands that have a relationship with the factory to press Paxar to take the following steps:

1. Insist that Paxar offer immediate and unconditional reinstatement (with full back pay, and to their original positions and level of seniority) to the following workers:
  - Eleven trade union members dismissed in early 2005, all of whom were determined by Turkish Courts to have been dismissed unfairly, rulings that were upheld by the Appeals Court;
  - Four trade union members dismissed in late 2005. These four are clear cases of unfair dismissal; with respect to the other two workers, the circumstances are not as clear.
  - The trade union member dismissed in April 2006, after joining the union in March 2006, another clear-cut case of unfair dismissal.
2. Insist that Paxar begin good faith negotiations with the recognized bargaining agent for the Paxar workers, the trade union TEKSİF. Good faith bargaining requires that Paxar make a formal and reasonable counter-offer to the union's existing contract demands.

Given Paxar's intransigence to date, it may also be necessary for Paxar's customers to make clear that future business relationships hinge upon the factory's compliance with these remedial steps.

A number of the brands sourcing from Paxar have been involved to various degrees in pressing the factory to address the violations. This includes university licensee Adidas. The WRC has been in communication with Adidas regarding the case. To date, these efforts have, unfortunately, generated no meaningful change in Paxar's actions.

As noted above, we believe that Paxar may be a supplier of a number of university licensees, in addition to Adidas and Nike. As one of the world's largest suppliers of garment labels, tags and printing systems, Paxar runs offices or production sites in dozens of countries in North and South America, the Middle East, Africa and Asia, and provides goods to many of the world's largest apparel brands and retailers. However, as noted, relationships with Paxar would not necessarily be indicated in factory disclosure data.

The WRC is therefore contacting major university licensees to alert them about the case and to seek information concerning any relationship they have with Paxar. We wanted you to be aware of these communications.

We will keep you posted on developments in this case and on our communications with licensees.

Please don't hesitate to contact me if you have any questions about this information.

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