

Minutes of
WRC Governing Board
May 18, 2007

Attending: LaMarr Billups, Marcella David, John "Jay" Marano, Mel Tenen, Jim Wilkerson, Mark Barenberg, Thea Lee, Katie Quan, Claudia Ebel, Amy Norris, Marlene Ramos, and Sara Wallace-Keeshen. Jill Esbenshade attended by phone. Observers attending were Julie Bell-Elkins (University of Connecticut), Julia Filippone (University at Albany, State University of New York), and Joe Ebaugh (University of Maryland). Also observing was Zack Knorr (USAS). WRC staff attending were Scott Nova, Anne O'Rourke, Nancy Steffan, Theresa Haas, Marshall Duer-Balkind, and Jeremy Blasi. Joel Feingold was unable to attend.

Introductions, Minutes, Agenda and Ratification of New Board Members: Board Chair Katie Quan began the meeting with introductions and a review of the agenda. Due to quorum requirements for a vote on the budget, it was decided to shift the planned executive session to after lunch and move the budget discussion forward on the agenda. The new board members were unanimously ratified without any abstentions: for the University Caucus, LaMarr Billups (Georgetown University) and Mel Tenen (University of Miami); for United Students Against Sweatshops, Claudia Ebel (University of Colorado at Boulder) and Amy Norris (George Washington University). There was again a brief discussion of amending the bylaws to expedite voting on new board members. Later in the meeting, the board also approved the advance ratification of new University Caucus representatives whose board terms will begin on July 1 after agreeing that there was nothing in the bylaws to disallow this and that it would simplify fulfilling quorum requirements. By unanimous vote without any abstentions, the following were ratified: Jim Wilkerson (Duke University); Julie Bell-Elkins (University of Connecticut); Julia Filippone (University at Albany, State University of New York). Katie led the board in thanking all the departing board members: for the University Caucus, Marcella David (University of Iowa) and John "Jay" Marano (Carnegie Mellon University); for United Students Against Sweatshops, Mark Iozzi (Western Washington University) and Amy VanHeuverzwyn (University of Connecticut). Katie noted that Marcella (along with Mark Barenberg and herself) were original board members of the WRC and thanked Marcella for her leadership in bringing everything together. The minutes were also approved by unanimous vote without any abstentions.

Executive Director and Treasurer's Report: Treasurer Jim Wilkerson presented the Treasurer's Report indicating that the audit committee had reviewed the financial statements and recommended their approval. The Treasurer's Report was then approved by unanimous vote without any abstentions. In response to questions, Scott Nova explained the status of federal grants and clarified that the line item for accumulated depreciation referred mostly to the website and computer equipment.

Scott then began the Executive Director's Report with a review of FY 2007 income and expenditures reporting that as of April 15, the WRC has \$1,021,000 in income and total expenditures of \$948,000. Scott indicated that further detail would be forthcoming later in the day with the discussion of the proposed FY 2008 budget. Scott also announced the five most recent affiliates: the University of South Carolina, the University of Virginia, the University of Montana, Southern Illinois University Carbondale, and Ursinus College. He noted that four of these are significant licensing schools enhancing the WRC's clout and geographic diversity; and thanked Outreach Associate Theresa Haas for her achievements.

Scott then gave updates on two factory investigations noting that additional updates would be included later on the agenda. He began with the BJ&B factory in the Dominican Republic, which

was once the largest producer of baseball caps in the Western Hemisphere. In February, the announcement was made that the factory was closing. This was especially disappointing given that the factory had previously represented a great breakthrough in labor rights due in part to the efforts of the workers in conjunction with the WRC, FLA and many universities and colleges which resulted in a democratic trade union and a collective bargaining agreement that was the first in the history of the Dominican Republic's free trade zones to provide for wages above the legal minimum.

The closing followed a long-term reduction in orders and workforce numbers. The two primary buyers were adidas (who cited declines in product demand and shifted production to Vietnam and Bangladesh facilities operated by the same parent company Yupoong soon after the union contract) and Nike (who reduced their orders beginning in 2006).

Scott explained the severance process whereby the union was given no notice of the closure, and all union leaders were fired in contradiction to Dominican Republic law that requires advance government permission to fire any union leader in order to avoid inappropriate economic pressure. On the closing day, the union asked to collectively negotiate severance but management approached individual workers to sign waivers in return for their minimum legal severance which could be considered unenforceable given that they received nothing but their legally entitled payment. Union leaders were able to negotiate for only themselves and pregnant workers. Meanwhile, Nike erroneously reported that 3 months notice was given, that collective severance negotiations were underway and that management had shown a willingness to provide severance to the workforce in excess of the legal minimum.

In response to questions, it was noted that Dominican Republic law could be interpreted not to require collective severance negotiation and that the union contract included no such requirements. However, there are precedents for payments above the legal minimum in similar cases where there have been breakthroughs on FOA issues and where the parent company has close and continuing relationships with high profile collegiate brands in contrast to the many cases where there are scarce options for leverage.

It was noted that the WRC made ongoing reports on events at BJ&B and tried to convene a meeting of all stakeholders including the FLA, the union, and allies including the Solidarity Center and the international textiles union. At the same time, the union leaders expressed discouragement and accepted an agreement covering only themselves and providing one year of payment in excess of the legal minimum. Many of the union leaders subsequently repudiated this agreement, stating they had been pressured. In late March, the WRC issued a report on these severance issues. Yupoong then provided an additional one month severance to all workers, and Nike issued a report including this step in a list of actions they characterized as proof of good faith negotiations. In April, the FLA issued a legal analysis essentially concluding that there were no problems with the severance process – with which the WRC disagreed. However, last week a stakeholder meeting was held with Nike (adidas stated that scheduling conflicts prevented its attendance) which was followed by a joint statement from the WRC and the FLA citing the lack of collective negotiation and encouraging Yupoong to negotiate. Scott noted that he will also be meeting with adidas in Germany next week.

It was clarified that there is little chance of reversing the factory closure, and that this is one clear example of how progressive factories wind up at a competitive disadvantage unless brands are willing to make adjustments in pricing and turnaround to support code compliance. It was noted that the negotiated wages at BJ&B were substantially higher than at the non-union facilities in Vietnam and Bangladesh; that local employment alternatives are severely limited; and that more

such cases are expected in the absence of the DSP or a similar mechanism to protect progressive factories. The WRC was now asking universities to contact Nike and Adidas to encourage good faith collective negotiations on severance. The board thanked Scott and Jeremy for their work and it was affirmed that the WRC would remain active on this case.

There was a brief discussion of DSP restrictions in relation to production shifts noting that the DSP would create a formal contractual restraint through 3 year production agreements with DSP suppliers supplemented by an optional fourth year. The DSP would also create informal incentives through factors including the cost of adding new factories as DSP suppliers and creating more incentives for long-term relationships.

Next, there was a brief discussion of the Chong Won factory in the Philippines where the primary customer is Wal-Mart. Scott summarized the poor record on labor rights and multiple FOA issues and suggested referring to the WRC report for more details. It was noted that Wal-Mart appears likely to leave this factory without resolving outstanding issues. Overall, it was noted that there is a severe and growing problem in the Philippines with violence against civil society leaders including union leaders; and that the WRC had coordinated a letter to the Philippine government signed by 5 licensees.

Scott gave a brief update on the DSP noting that 3 new universities had joined the Working Group (the University of Washington, Oberlin College and Ursinus College); that the next DSP Working Group meeting was scheduled for June 22, 2007; that the Department of Justice business review letter was still under staff review with the expectation that the final decision would be referred to upper-level political appointees; and that it appeared that licensees views on the DSP were basically unchanged. It was agreed that the WRC should continue consulting with all stakeholders on interim strategies especially if the business review letter becomes delayed,

Concerning labor law reform in China, it was noted that the WRC had circulated an analysis in March of the proposed reforms and the mostly non-constructive responses of foreign investors. It was further noted that Nike had responded positively to related communications from the international textile union; and that legislative action in China was likely within the next few weeks.

An update was then given on the El Salvador delegation that the WRC organized with the participation of 5 university administrators. It was noted that more opportunities were planned in future including a possible trip to Asia. Joseph Ebaugh, who was among the delegation, indicated that the trip was a valuable opportunity to learn about the culture first-hand and witness the diverse perspectives of multiple stakeholders including workers, unions, and NGOs.

Concerning government procurement, it was noted that data collection is underway for the City of Los Angeles and that this has been a learning experience to work with vendors previously unfamiliar with the disclosure process; that the first factory investigation in conjunction with the Catholic School Boards of Ontario is now being conducted at a uniform factory in the Dominican Republic with positive results so far and a briefing scheduled for June; and that the WRC participated in a March forum in Pennsylvania on the topic of a national consortium for government procurement. Mark Barenberg was thanked for serving as a legal advisor especially in the area of a national government consortium. Several board members commented that it was positive to see the WRC being a formal and informal resource for assistance on these issues.

Consideration of FY 2008 Budget: Scott gave a PowerPoint review of the WRC's FY 2007 finances. The organizational budget has grown from approximately \$500,000 in its first year to

more than \$1,000,000 in 2007. FY 2007 income totals \$1,234,000 including affiliation fees of \$580,000; and federal grants of \$370,000; and foundation grants of \$175,000. The federal grants represent 3 sources: the main multi-country grant covering the WRC's core work in 12 countries, the grant for work in China, and the grant for expenses related to the MSI project in Turkey. It was noted that personnel is the largest WRC expense.

Scott then reviewed the FY 2007 budget as approved compared to revised projections. Concerning income, he noted that spending on the City of Los Angeles grant is reimbursed rather than granted in advance; that fewer schools than originally projected are participating in the Ontario Catholic School Districts project; that a number of colleges and universities are still reimbursing expenses for DSP conferences; that affiliate fees are increasing based on both the growth in the number of affiliates and licensing revenues; that spending on the MSI program is temporarily lower due to program delays; and that an anonymous donor fund that previously supported the WRC has eliminated its labor rights program and these funds will need to be replaced. Overall, there is a variance of (9.5%) on expenses minus the Turkey MSI line item.

Concerning expenses, Scott noted that legal fees are higher due to Don Baker's work on the business review letter; and that rent is lower due to the ability to postpone an office move due to the shift towards overseas staff not based in the DC office; that telephone costs are higher; and that consulting field staff expenses are lower.

Concerning the proposed 2008 budget, it was noted that the increase in affiliate fees is based mostly on three large new affiliates along with estimates for increased sports revenues for some institutions; and that no fee increase for category C institutions would be considered until additional consultation and assessment of possible consequences is completed. In response to questions, it was noted that the increase in the number of affiliates is due both to student activism and WRC outreach. Concerning Department of State grants, it was noted that the Program to Eliminate Sweatshops begun in 1999 by the Clinton administration has ended and that the WRC hopes to find replacement funding from the Department of Democracy, Human Rights and Labor focused on the CAFTA region – but that this funding is by no means certain. WRC now has one application pending for \$750,000 for a three year grant with a decision expected by August. Scott explained that there is some padding in the budget, in order to leave room for maneuver in the event that the State Department funding does not occur, but that this would still create a shortfall that would need to be addressed, hopefully by identifying alternative funding sources in the foundation community. Scott affirmed that the WRC is pursuing new funding strategies. It was noted that the Ontario Catholic School Districts were likely to renew and possibly expand their participation.

Concerning expenditures for FY 2008, it was noted that no additional DSP-related staffing was included but may become a future proposal. On the matter of legal fees, it was noted that this line item had been reduced as advised by Don Baker and, after some discussion, the board agreed to put forward an amendment to increase this line item in order to be conservative about being prepared for any future needs. It was also noted that the field staff line item was increased due to salary increases; that SKYPE software is producing savings on international calls; that some increases were made for staff expenses related to the upcoming re-negotiation of the collective bargaining agreement and the temporary vacancy in the Associate Director for Field Operations which is expected to ultimately be filled with a higher salary; and that funds were budgeted for an office move which may occur at the end of this calendar year depending on the availability of affordable space.

By unanimous vote with no abstentions, an amendment was accepted to increase the line item for legal fees from \$17,500 to \$32,000. Also by unanimous vote with no abstentions, the entire FY 2008 budget was passed as amended.

Executive Session: This portion of the meeting was held in executive session with board members only attending.

Scheduling Next Board Meeting: The next Board meeting was tentatively scheduled for October 19, 2007 (Friday) with a back-up date of October 26 (Friday). The date will be circulated by email to all board members.

Report from Field Staff and Discussion: WRC staff Nancy Steffan and Jeremy Blasi gave a PowerPoint update on WRC field work. Participants were informed that a portion of this session should be considered confidential information. Topics covered in the non-confidential portion included country level projects: Philippines- licensee letter about violence against worker advocates; Cambodia- brand letter about violence against trade unionists; and China- licensee letter and analysis of labor law reform. Also discussed were key ongoing factory assessments: Dominican Republic (TOS, T&M, BJ&B); El Salvador (Lido Textile); Nicaragua (NCT); Kenya (Rising Sun, Rolex); Philippines (Chong Wong); Cambodia (PCCS, BSS, Ocean Sky, Great Lancelot); Thailand (Thai Garment Export, Double Star, Lian Thai); Indonesia (PT Hann Chang, PT Yong Yang, PT Micro Garment). There was some extended discussion of the TOS/Dos Rios factory in the Dominican Republic owned by Hanesbrands where several code violations are being investigated including coercing workers to sign new employment contracts and compliant waivers and forced and unpaid overtime.

Living Wage Presentation and Discussion: Scott delivered a PowerPoint presentation (also given at the March 13 University Caucus meeting) on living wage issues including new corporate policies, evolving debates within multi-stakeholder organizations and new research. He stated that living wage issues are key for workers and simultaneously the area of least progress.

He described the methodology of purchasing power parity (PPP) using the long-run equilibrium exchange rate of two currencies to equalize the currencies' purchasing power. This method is used by organizations including the World Bank and is helpful for contextualizing wages. He presented living wage estimates for 7 countries where the WRC used U.S. poverty data and specifically the 2006 U.S. Department of Commerce extreme poverty line (which is one half the regular poverty line) along with data on real wages in 17 countries. For example, in China, the prevailing hourly wage is 40 cents; and the WRC living wage calculation by this very modest standard is \$1.06 or a 2.9 multiple of the prevailing wage. Scott noted the example of the Asia Wage Floor Campaign, illustrating that this problem cannot be solved at the factory level without raising the prices paid by brands and retailers.

There was discussion of Novartis, the world's fifth largest pharmaceutical company, which has adopted a living wage policy using. The policy now applies to direct employees and Novartis is now considering an extension to contractors. It was noted that it was encouraging to see the similarity in calculations used by WRC and Novartis; that it was positive to see the corporate world engaging this issue; and that this was a clear indication that technical issues are not an insurmountable obstacle to progress on the living wage issue.

In the discussion that followed it was noted that the WRC still finds market basket calculations more appropriate than methods based on PPP conversion; that using extreme poverty as a starting

point can be helpful because it is difficult to criticize this standard as unreasonably high; and that “non-poverty wages” may be a more politically attractive term than “living wages.”

Adjournment: Katie adjourned the meeting with thanks to all for their participation and wishing everybody a good summer.