

YEAR IN REVIEW

Annual Meeting of the
WRC University Caucus
April 18, 2018

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Thailand



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Central America

WRC Affiliates

Total Affiliates: 193

New Affiliates Since Last May:

- Oregon State University
- Barnard College
- Florida International University
- Loyola Marymount University



HORIZON OUTDOOR (CAMBODIA)

Unlawful mass firing prevented

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HORIZON OUTDOOR

- Factory in Cambodia exclusively supplying VF.
- Previously supplied VF JanSport collegiate product.
- Currently produces VF non-collegiate brands, Northface, Vans, Eastpak.
- Employs 4,700 workers.



BACKGROUND – AUGUST 2017

- Facing unaddressed labor rights violations, workers form independent union, elect leadership.
- Management, employer-controlled union jointly offer bribes to independent union leaders to change union affiliation.
- After leaders refuse bribes, factory terminates union general secretary, announces impending layoff of 50 more workers, including 5 more union leaders.

WRC INVESTIGATION

- Union files complaint with labor ministry, but ministry refuses to refer case for arbitration.
- Workers submit complaint to WRC.
- WRC interviews workers, factory managers.
- Factory managers claim:
 - Terminations due to reduced production
 - Workers randomly selected for layoff
 - Terminations legal because workers employed under expiring short-term contracts

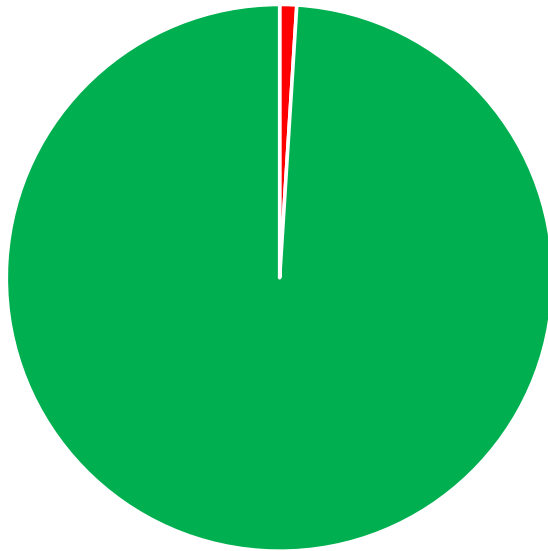
WRC FINDINGS

- Terminations of union leaders unlawful as:
 - Law requires prior approval of labor ministry for such dismissals – which factory did not secure.
 - Many affected workers had 2+ years of service, so could not legally be employed under short-term contracts.



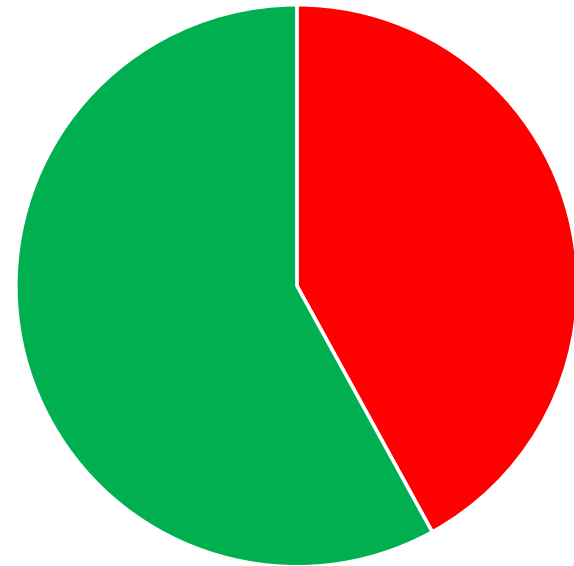
WRC FINDINGS - LIKELIHOOD OF DISMISSAL

All Workers
in Factory



■ Dismissed ■ Retained

Workers who were
Union Founders



■ Dismissed ■ Retained

Statistical evidence undermines claim of “random” selection of workers for layoff.

WRC RECOMMENDATIONS TO VF AND FACTORY MANAGEMENT

- Reinstatement of union general secretary with back pay.
- Withdrawal of announced layoff of other 50 workers.
- Cease collusion with employer-controlled union.

REMEDICATION

- October 2017:
 - Factory reinstates union general secretary with back pay,
 - Factory withdraws announced layoff of 50 other workers.



ONGOING MONITORING AND REMEDIATION

- Freedom of Association
- Illegal use of short-term contracts
- Wage and Benefits
- Occupational Health and Safety



**KONFFETTY/
VIVE LA FETE
(EL SALVADOR)**



Vive La Fete & Konffetty

- **Vive La Fete (VLF):** Florida-based university licensee marketing hand-embroidered children's wear.
- **Konffetty:** Factory in El Salvador, sole supplier of VLF.
- Both firms appear to be owned by same Salvadoran business family.

INDUSTRIAL HOMEWORK

- Permitted by Salvadoran law:
 - Homeworkers entitled to **same basic rights as other workers**
 - Homeworker-specific legal requirements (e.g., must be registered by employer with labor ministry)
- **Not prohibited** by university codes

WRC FINDINGS: WAGES AND BENEFITS



Piece rates =
Extremely low
wages: **25¢ per
hour**, 20% of
minimum wage



Failure to post
piece rates and
refusal to
inform workers
when asked



Failure to enroll
workers in
mandatory **national
healthcare system**
and **pension fund**

WRC FINDINGS: FREEDOM OF ASSOCIATION VIOLATIONS



Threats, retaliation for association with
women's rights group

KEY RECOMMENDATIONS

1 Set piece rates that ensure minimum wage compliance

2 Post piece rates at work distribution site

3 Enroll workers in public healthcare and pension

4 Cease threats and retaliation

5 Provide back pay for previous underpayment

6 Affirm respect for associational rights



LICENSEE RESPONSES

Claimed homeworkers not legally required to be paid minimum wage, benefits because contracted for “mercantile services”

However, has engaged with WRC concerning homeworkers’ compensation and treatment

Owners have agreed to meet with WRC to develop corrective action plan

LICENSEE RESPONSE: MINIMUM WAGE



Agreed to post piece rates



Provided new sample piece rates that it claims comply with minimum wage (10% increase)



Agrees to involve neutral ombudsperson to verify new piece rates comply with law



Offering “bonus” to resolve prior underpayment (10% of 12 months earnings)

LICENSEE RESPONSE: LEGALLY REQUIRED BENEFITS



Has not agreed to enroll homeworkers in Salvadoran healthcare and pension system



Offering alternative package of 'worker welfare' measures (6 medical visits/year, food basket, school supplies, annual bonus)

FREEDOM OF ASSOCIATION



Agreed to issue a freedom of association statement, but refuses to include mention of women's rights group



Agreed to compensate and has resumed issuing work to 2 homeworkers who WRC found were retaliated against for association with women's rights group

HANSAE VIETNAM REMEDIATION



Hansae Remediation

Key WRC Findings:

- Unpaid work
- Illegal recruitment fees
- Fainting from overwork and excessive heat
- Backless benches
- Pregnancy discrimination
- Management control of factory union

Deficiencies in Company's Original Remedies:

- Only token back pay for unpaid work and fees
- Cooling systems that may prove inadequate
- Unclear commitment on ergonomic chairs
- No action on pregnancy discrimination
- Management-run union training

New Commitments Secured by WRC

Key Findings:

- Unpaid work
- Illegal recruitment fees
- Fainting from overwork and excessive heat
- Backless benches
- Pregnancy discrimination
- Management control of factory union

New Remedies:

- \$750,000 in back pay
- Access commitment for WRC to assess cooling
- Buy 4,500 ergonomic chairs
- Reinstatement of workers fired while pregnant
- Independent union training

Current Status

- Most commitments met: back pay, reinstatements, ergonomic chairs – major progress for workers and university codes
- Outstanding commitments: follow-up on factory temperatures, freedom of association training
- Nike has pulled out of Hansae Vietnam; predictable reaction from factory
- Unclear whether further progress is possible

A young woman with dark hair, wearing a red vest over a white collared shirt, is focused on operating a white industrial sewing machine. She is wearing orange earplugs and a name tag. The machine is on a wooden table, and she is sewing a piece of white fabric. In the background, other workers and sewing machines are visible in a factory setting.

DELTA APPAREL HONDURAS

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BACKGROUND

- Located in Villanueva, Honduras
- Owned by Delta Apparel of South Carolina – owner of licensee MJ Soffe
- 1200 workers



BUYERS

- Produces collegiate apparel for MJ Soffe, J America (Vetta Brands), To the Game and American Threads (MV Sport), New Agenda (Perrin Wear), and Image Source
- Former producer of collegiate apparel for Majestic (VF)

FINDINGS

- Unpaid off-the-clock work
- Failure to provide legally required transportation allowance
- Verbal abuse
- Sexual harassment
- Failure to provide legally required childcare, lactation facilities
- Failure to provide contractually required family leave
- Freedom of Association:
 - Threats and intimidation of workers seeking to exercise associational rights
 - Refusal to allow workers union representation in workplace disputes

FINDINGS: HEALTH AND SAFETY

- Heat levels above legal limit
- Unhygienic, poorly maintained restrooms
- Ergonomically unsound chairs and floor mats



INCOMPLETE REMEDIATION

- **Some positive steps:**
 - Replaced air conditioning system, resulting in cooler temperatures
 - Improvements in leave request process
 - Repairing restroom facilities and improving cleanliness

INCOMPLETE REMEDIATION

- **Significant violations not remedied**
 - Refused to provide back pay
 - Refused to comply with 2013 Ministry of Labor decisions regarding payment of lunch hour and transportation allowance
- **Management commitments not fulfilled**
 - Delta stated that it would communicate the availability of lactation room to workers; workers continue to report that they have not received this communication
 - Delta stated that inadequate chairs would be replaced; workers report that the new chairs were easily broken and uncomfortable, and that management did not complete the process of replacing all chairs.

LACK OF ACTION BY LICENSEES

- No further improvements made as a result of licensee involvement.
- Vetta Brands, MV Sport, VF: Contacted FLA, which launched an investigation. No results to date.
- VF: No longer producing collegiate apparel, had exited factory, but continued engagement
- Image Source and New Agenda: Have not taken any meaningful action



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NIKE AND UNIVERSITY LABOR STANDARDS

Resolution of WRC Factory Access,
University Code of Conduct Issues

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FALL 2015 - NIKE REFUSAL OF WRC FACTORY ACCESS SPARKS DISPUTE

Nike refuses WRC access to Hansae Vietnam (and collegiate suppliers, generally)

Universities engage with Nike regarding WRC access to collegiate supplier factories



2016-2017 - NIKE PROPOSES REVISED LABOR TERMS IN LICENSING AGREEMENTS

Nike proposes revised labor terms to schools,
licensing agencies (IMGCL, Learfield):

- Nike code, not university (or licensing agency) labor standards
- Nike right to approve university monitors
- Nike not obligated to fully remediate violations

UNIVERSITY ENGAGEMENT SECURES RENEWED LABOR COMMITMENTS

- 2015-2017 - **Many universities** engage with Nike regarding WRC factory access, labor standards.
- August 2017 – **Georgetown**, Nike agree on WRC factory access protocol, IMGCL Code, obligation to remediate in new contract
- October 2017 – **U. of Washington** reaches similar agreement with Nike, recognition of WRC, FLA as designated monitors



LICENSING AGENCIES, NIKE, BCS AFFIRM LABOR RIGHTS STANDARDS



December 2017 - **IMGCL** reaches proposed licensing agreements with Nike, BCS comparable to Georgetown, U. of Washington agreements (incorporates IMGCL Labor Code, WRC access protocol)



March 2018 - **Learfield** reaches similar licensing agreements with Nike, BCS (including Learfield Labor Code, WRC access protocol)

OTHER LICENSING AGENCIES, NIKE INCORPORATE COMMITMENTS

- **Fermata** amending agreements between schools and Nike midterm to incorporate WRC access protocol
- **Exemplar** developing labor terms for schools with all licensees consistent with Nike commitments



KEY ELEMENTS OF NEW NIKE LICENSING AGREEMENTS

- ✓ Labor standards based on university codes
- ✓ Obligation to fully remediate violations
- ✓ Incorporation of WRC factory access protocol
- ✓ Recognition of university affiliations with WRC and/or FLA as independent monitor(s)
- ✓ Direct disclosure of factory data to licensing agent/schools (not only via Nike website)

NIKE COMMITMENTS IN WRC FACTORY ACCESS PROTOCOL

- ✓ “Use ... all available economic leverage” to get WRC access to supplier factories’ physical premises, records, personnel
- ✓ Share records of factory audits conducted “by Nike’s staff...or other organizations”



OUTCOME

- Resolution of factory access issue.
- Reaffirmation of university-established labor standards
- Recognition of universities' right to designate own factory monitors
- Nike/BCS agreements with key labor terms already signed or pending at 40+ schools

CHALLENGES TO FIELD OPERATIONS IN COUNTRIES WITH WORSENING AUTHORITARIAN RULE



BANGLADESH





CAMBODIA



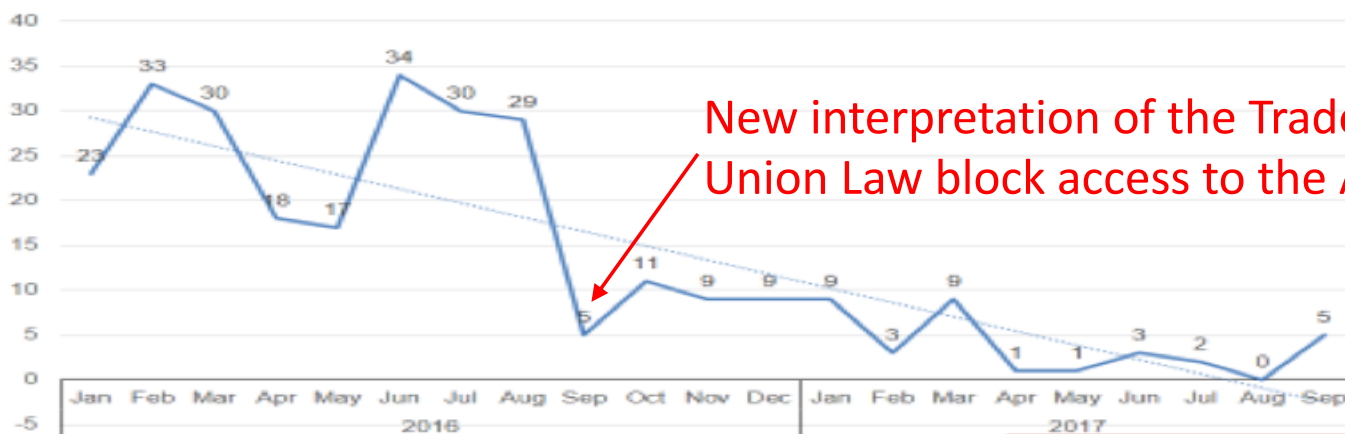
RESTRICTIVE LAWS AND PRACTICES REGARDING RIGHT TO ORGANIZE

- Exacerbate obstacles to union registration
- Deny access to – e.g., Cambodian Arbitration Council (“AC”)

AC Caseload by Month



No. cases registered at AC during Jan 2016 – Sep 2017



New interpretation of the Trade Union Law block access to the AC

CASE BASED

POLITICALLY MOTIVATED PROSECUTIONS



THAILAND – 4 YEARS’ RULE BY MILITARY JUNTA

- Junta has legal immunity
- Detention and trial of activists in military courts
- Public demonstrations prohibited
- Media under pressure
- Surveillance of human rights activists



THAILAND

Criminal and civil lawsuits against workers and human rights defenders.



Criminal defamation trial against 14 migrant workers who reported abuse begins in Thailand

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VIETNAM: PROTEST OVER ENVIRONMENTAL DISASTER LEADS TO GOV'T CRACKDOWN

- Formosa Ha Tinh Steel: Test run of Taiwanese-owned steel mill results in country's largest postwar environmental disaster with 200 km (125 miles) of coastline poisoned and 200,000 people affected
- Government responds by silencing local environmental, civil society advocates



VIETNAM: GOV'T RESPONSES TO ENVIRONMENTAL DISASTER

- Initially denies industrial cause, blames fish deaths on algae bloom.
- After public protests, blames Taiwanese company, demands compensation.
- Cracks down on protestors, independent media with prosecution, prison sentences of up to ten years.

IMPACT ON OUR WORK OF GOV'T REPRESSION

- Chilling effect on workers
- Danger to workers
- Danger to our local partners
- Security risks for our field representatives

WRC RESPONSE

- Ensure that operators of collegiate supplier factories are not instigating/perpetuating government repression – e.g., press them to withdraw baseless criminal complaints
- Call on industry and government to release detainees, drop false charges
- Continue pressing licensees and suppliers to respect workers' rights and remedy violations

Other Current WRC Partners

Worker Safety: **Bangladesh Accord**

Gov't Procurement: **Los Angeles and San Francisco**

Responsible Investment: **Norwegian Gov't Pension Fund**

Promoting Transparency: **Human Rights Watch**

Promoting the Accord Model: **WSR-Network**