

Subject: Scott Nova (SN)

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Interviewer: Milli Lake (ML)

Transcribed & Edited by: Christina Corrales-Toy

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ML: It's the first of April 2011. It's about 7 p.m. My name is Milli Lake and this interview forms part of the Brand Responsibility Project at the University of Washington and if I could ask you to start by just stating your name and title for the record.

SN: First of all, I just realized it's April Fool's Day. The perfect day for an interview. I'm Scott Nova the Executive Director of the Workers' Rights Consortium.

ML: Okay, thank you and could you just start by telling us a little bit about the Worker Rights Consortium. I'll just pause for a moment. If you could just tell me a little bit about the Worker Rights Consortium...

SN: The Worker Rights Consortium is a labor rights monitoring organization whose mission is to assess labor practices in factories around the world that make apparel and other goods for the U.S. market; and in particular clothing bearing the names and logos of universities. We are in essence an organization of universities who have decided, at the urging of their students in most cases, to apply strong labor standards to partnerships they have with apparel companies to make and sell university logoed t-shirts, sweatshirts and other goods.

ML: Okay, thank you. So we're most interested in documenting primarily the negotiations between Nike and CGT and we're interested in the role that the WRC played in that. So, perhaps you could tell us that story in brief, including how the matter first came to your attention.

SN: What occurred in the cases of the Hugger and VisionTex factories which are subcontract factories of Nike was a particularly egregious example of a very widespread problem which is the non-payment by contract apparel factories of legally mandated severance to workers when those factories close or for some other reason engage in a mass layoff of their employees; and it's important to note that legally mandated severance, which is not a fixture of the U.S. labor market, is a very common legal requirement in most countries from which apparel is exported to the United States and it's also important to understand that the reason why most of these countries mandate that employers pay severance is that there is no other form of social insurance to protect workers in the case of job loss. There's no unemployment insurance, there's no welfare, there's no food stamps. So when people lose a job, this legally mandated severance is all they have to rely upon and because the severance laws are relatively generous, it's often the case that at the time workers lose their job, their legally entitled to upwards of half a year, a full year, or perhaps a year and a half of salary and indeed for many workers and their families, it's the largest single sum of money they'll ever see in their lives. Whether or not it's paid in full is an issue of overriding importance for workers and it's also important to know that in the global apparel industry there is such volatility in the supply chains brands and retailers that factory closures and mass layoffs are commonplace. Most workers who are in the industry for any substantial period of time will at some point lose their job and be entitled to severance and

unfortunately, it is also common practice for employers not to pay what workers are legally owed when factories close or when, for some other reason, workers are laid off. Indeed, we believe that a majority of factory closures workers receive substantially less than the amount of money to which they are legally entitled and the economic consequences for workers are quite devastating for obvious reasons. In the case of Hugger and VisionTex you had, again, a particularly egregious example of a widespread problem. You had these two contract factories closing without notice, firing their entire workforce essentially over the Christmas holiday, and then failing to pay workers at the two factories in combination more than \$2.2 million dollars in legally mandated severance and this is, in our view, essentially a form of theft. Workers are legally entitled to this money, they've worked for it, they earned it, and yet the contract factory of a brand like Nike in this case, simply fails to pay up.

ML: Thank you. There are various things I want to talk to you about but in the interest of being brief could you perhaps talk about your relationship with universities during this process?

SN: Sure. Well, we heard, learned of the problems at Hugger and VisionTex from the CGT, the union federation that represented workers at the factories. We heard about it, essentially on the day that the factories were closed and we immediately notified Nike of the problem: that these facilities had closed, that they had failed to pay their workers legally mandated severance and had essentially told the workers that they weren't going to be paid, and that these were factories that had been producing a very large percentage of their output for Nike. Nike had a particularly strong connection to, and therefore responsibility, for these workers. Unfortunately, Nike did not take any action at that time. In fact, we engaged in a dialogue with Nike about their suppliers' failure to pay legally mandated severance for the better part of nine months without any progress being achieved. A lot of back and forth and really fruitless debates and discussions about the exact level of Nike production at the facilities, Nike sought to minimize its role. We think that they underestimated, underreported the degree of connection to these factories. Without getting into great detail, we had a lot of debates about issues that were really extraneous and our efforts to get Nike to take responsibility and take action were unsuccessful. At a certain point in time we decided that this private dialogue was not getting us anywhere and that it was necessary to publicly report on Nike's failure to address these labor rights violations by two contract suppliers; and that is the point at which we reported to our affiliate universities, of which there are an excess of 175 including the University of Washington, that these very serious labor rights violations had occurred in Nike's supply chain, that Nike had failed to correct the violations, and that Nike had an obligation to take whatever action was necessary to ensure that workers were paid the money they were owed.

ML: Okay, thank you. Throughout this process, and thinking specifically of the University of Washington but if you want to comment on other universities as well, were you liaising directly with the Advising Committee on Trademarks and Licensing or the student groups or...how were you engaging in relationships?

SN: We were in communication with the licensing advisory groups at several universities including the University of Washington. Certainly we also make students who are concerned about these issues aware of our reports and their content. Indeed, and it's an important thing to note about the WRC, when we report on labor rights violations at a factory, we do so publicly.

all interested parties and the public in general have access to these reports and this is a case where the documentation of the problem, frankly, was not terribly difficult. There was really no dispute about the fact that workers had not been paid, it's a relatively straightforward proposition to calculate what's owed to each worker and what's owed in the aggregate and the real question was, was Nike going to take action to solve the problem?

ML: Okay, so you didn't have, beyond publishing public reports, direct relationships with student groups?

SN: Well, we have, on our board of directors, five representatives from United Students Against Sweatshops and we are in regular communication with them. So we certainly did have direct contact and direct discussions with student groups, but our function in that regard is to inform the students about the labor practices of licensees including Nike. Our role is limited to providing information to relevant stakeholders, in particular university administrations and then to advocate, and publicly, for brands like Nike in these kinds of circumstances, to take the action necessary to redress workers rights violations.

ML: I have just two more very brief questions. The first is, could you just say a little bit more about where your information comes from and how you obtain information from the factories on the ground?

SN: The most significant element of our investigative process is interviews and conversations with workers which are conducted offsite away from the factory in locations where the workers are comfortable speaking candidly and of course, and it's particularly relevant in this case, we also talk to worker organizations. We talk to unions, we talk to other organizations that advocate on behalf of workers and this particular case you had a very competent, very active union federation - the CGT - that was very well aware of what had transpired and was actively engaged in efforts to achieve justice for workers. They were also a critical source of information and we pointed out from the outset that there really shouldn't be any dispute over the facts. Now, I should note that Nike did not fully acknowledge the facts of the case both with respect to their level of involvement at these factories and with respect to the nature of the violations. For awhile, Nike was arguing that because the companies had declared bankruptcy, they somehow had less financial liability of the workers. There were lots of efforts by Nike to diminish responsibility and diminish the issues. But at the end of the day, I think it was clear to everyone, and universities played an important role in making this clear, that there was a problem, that workers were owed money, and that action needed to be taken to correct it.

ML: And just finally, there are many other things I could ask you, but just what did you perceive Nike's primary concerns to be throughout your conversations with them?

SN: That's a good question. Obviously it's difficult to read people's minds. Clearly, one concern of Nike was the desire to maintain a longstanding posture - which was that Nike does not bear any direct responsibility for the financial obligations of its contractors to their workers. This is a position that Nike and other major brands and retailers have maintained for many, many years. It's an issue of great importance to them because these kinds of financial liabilities arise again and again and again and the ability of the brands and retailers to distance themselves from these

obligations is obviously very financially valuable to them. So I think you had warring motivations: on the one hand, Nike did not want to establish a precedent that it could be held responsible for the financial rears that its contractors had to workers; on the other hand, Nike recognize that the obvious and severe nature of these violations, the hardship that workers were suffering as a result, and the level of awareness, growing level of awareness overtime of this problem among its university business partners - Nike recognized these factors were a potential source of potential damage to Nike's relationships and its reputation. So you had on the one hand, Nike desiring not to have to pay the workers and thereby set a precedent that might have long term implications, on the other hand, Nike recognized that a failure to do so might lead to significant damage of the company; and in the end, the latter motivation outweighed the former and Nike decided that because of the potential damage to relationships, damage to reputation, that it made sense to pay the workers. Now, of course Nike argued that it wasn't really paying the workers, that this was a generous voluntary creation of a worker relief fund, but it's well understood, by all of the parties that what Nike decided to do was finally take financial responsibility for its contractors who had failed to pay workers money they were legally owed.

ML: That's a wonderful place to stop. So, thank you very much. Is there anything else you want to add?

SN: Two points quickly. Addressing these issues involving non-payment of severance is challenging in some circumstances in the university context because there is not a clear consensus on exactly what the university labor codes say about the level of direct financial responsibility of the licensees. So in this case it was very important for the WRC to maintain the position throughout the process that Nike had an obligation either to compel its contractors to pay or to pay itself; and I think our consistency and forcefulness in stating that position, reiterating that position and maintaining that position in the face of a fair amount of dissembling from Nike, in the face of some disagreement over the substance of Nike's obligations, was critical to the outcome. We were committed from the outset to doing what was necessary to ensure that Nike ultimately recognized that it had an obligation to act. The other critical point is at a certain juncture in the process, a small number of universities either took or hinted at taking direct action against Nike by either suspending or terminating or promising the termination of Nike's licensing agreements with those universities. And those were the actions that finally generated the positive outcome that was achieved. When Nike saw universities beginning to take that action, I think they feared a snowball effect as it happened previously in the case of Russell and that's the point at which I think they recognized internally that action had to be taken. And the University of Washington, urged on by its students, certainly played a critical role in that regard.

ML: Okay, thank you so much for your time.

[END TAPE]