

February 12, 2007

Dear <<Name>>:

As you are probably aware, there has been substantial debate over the past year regarding a proposed new labor law in China that would strengthen regulation of employment contracts as a means of enhancing protections for the rights of workers. The proposed legislation is known as the Labor Contract Law.

I do not know whether <<LicenseeName>> has taken a position on this proposed legislation. However, as an organization responsible for monitoring compliance with university codes of conduct, the Worker Rights Consortium (WRC) is very concerned about the role that some U.S. and European businesses have played in opposing the Chinese government's proposal to strengthen legal protections for workers. I write to you today to urge <<LicenseeName>>, if you have not done so already, to make a positive contribution to the current debate by supporting the proposed reforms and encouraging the further development of increased protections for Chinese workers.

As you know, workers in China do not, by law, enjoy important rights and protections to which they are entitled under university and brand codes of conduct. Most importantly, Chinese law effectively prohibits the formation of independent unions, depriving workers of a vital means for protecting their rights.

Given the deficiencies in Chinese law, it is all the more critical that those legal protections that *are* available to workers in China are meaningfully enforced. One such mechanism in Chinese law is the individual employment contract, which stipulates the terms (wages, benefits, hours, etc.) of employment and can be used by workers as the basis for redress if the employer violates workers' legal rights. Unfortunately, employers in China frequently fail to provide contracts to workers, using a variety of legal loopholes and subterfuges to accomplish this goal. In the absence of a contract, it can be difficult or impossible for a worker to hold an employer legally accountable when the employer fails to pay mandatory benefits or compensation (for example, compensation to a worker who is injured on the job).

The proposed Labor Contract Law would address this problem by constraining the ability of companies to employ workers without a contract. The legislation aims to ensure that all workers are provided with proper employment contracts, by penalizing employers who fail to provide them and by regulating, for the first time, the contractual relationship between businesses and employees who are hired through labor contract agencies.

The law also introduces some new legal rights for Chinese workers, including a very important improvement in the area of associational rights. The law contains a clause prohibiting an employer from firing any worker who is acting as a representative of other employees in a negotiation with management, whether this is collective bargaining or a less formal discussion of grievances or other matters. This protection would apply not only to officials of the Communist Party-controlled union, but to workers representing

independent work committees. While the government's intentions with respect to enforcement are not known, this ban on the dismissal of worker representatives has the potential to be very meaningful in the effort to create space for workers in China to exercise their right to organize and bargain.

While the proposed law would by no means address all of the deficiencies in Chinese labor law, it would provide Chinese workers with more effective means to defend the legal rights they do enjoy and would improve respect for rights of association.

The opposition to the law by some foreign business interests, including the American Chamber of Commerce in Shanghai and the U.S.-China Business Council, has had a damaging impact. In December, the Chinese government released a revised draft of the law that is weaker than the original proposal in several of the areas where U.S. companies and/or their industry associations criticized it.

In light of this destructive involvement on the part of some foreign investors, it is particularly important for university licensees, and other businesses concerned with improving respect for worker rights in China, to express their support for legal reforms that would make Chinese law more consistent with international norms and university codes of conduct. Please let us know what <<LicenseeName>> has done or plans to do to communicate to the Chinese government its support for the proposed reforms and other efforts to strengthen legal protections for workers in China.

One possible approach is to participate with other companies in making a joint statement to the Chinese government on this issue. The WRC is aware of one such collective statement that has been proposed by the global apparel union federation (the ITGLWF). I have attached the text of this statement, which you may or may not have already seen. Signing on to this statement is one step that <<LicenseeName>> can take to clarify its position on this important issue.

Sincerely,

Scott Nova

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