Final Report on the activities of the Advisory Committee on Labor Standards and Human Rights, 2009-2010

Submitted by Siobán D. Harlow, Chair

Executive Summary
This President’s Advisory Committee on Labor Standards and Human Rights advises the University concerning policies and practices to ensure that corporations engaged in the manufacture of licensed goods, bearing the University of Michigan name and/or logos, are not engaged in unlawful or unconscionable labor practices.

In 2009-2010, in accordance with the charge to the Committee by the President and with the recommendations made by the committee in 2008-2009, we focused on institutionalization of our educational activities and on advancing efforts to integrate evaluation of compliance within the licensing program by participating in a pilot program undertaken by the Collegiate Licensing Company (CLC).

In Fall 2009, we welcomed news that an historic settlement had been reached between Russell Corporation and workers from the Jerzees de Honduras factory in Honduras, brokered through the Workers Rights Consortium (WRC). The University of Michigan played a leadership role in the chain of events that led to this agreement, having not renewed Russell Corporation’s license in March 2009. Following evidence of this historic agreement being implemented, the Committee recommended to the Licensing Director that she communicate with Russell UM’s interest in reinstating their license with the University. Russell was awarded a new licensing contract in April 2010.

In the educational arena we
• developed a Curriculum Guide for undergraduate and graduate students,
• continued our internship program for professional school students in Bangladesh,
• worked with the Center for International Business Education and selected Area Centers to expand and co-fund these internships in Bangladesh and Cambodia as part of their Title VI applications; and,
• hosted a symposium on “Sweatshop Labor & Codes of Conduct: from Form to Function” in collaboration with the Center for Ethics in Public Life.
• Completed a case study “Russell Athletic Tries to Keep the Shirt on Its Back (A) and (B) (http://www.globalens.com/cases1.aspx) in collaboration with the William Davidson Institute.

In the operational arena we
• reviewed the Collegiate Licensing Company’s (CLC) proposal on Elevating Responsibility (ER6) within the UM Licensing Program and recommended that the University participate in a pilot version of the program,
• reviewed the impact of the ER6 program on licensing activities following the first quarter renewals in 2010; and,
• initiated discussions regarding the potential need to adapt code of conduct oversight mechanisms given the growing range of licensing activities, the narrowing divide between licensing and procurement, and the continued growth of organizations involved in the articulation and monitoring of corporate responsibility globally.

In the monitoring arena we
• reviewed cases of ongoing concern identified by our monitoring bodies the Fair Labor Association (FLA) and the Workers Rights Consortium (WRC), noting that no single case required specific action by the Committee this academic year,
• undertook a formal review of the annual reports of these two bodies to assess the extent to which each organization has established metrics to evaluate whether the goals of their respective organizations are being achieved.; and,
• requested and reviewed justification for the fee structures of each organization.

Information about these activities is detailed further in our report below organized into three sections on Educational Leadership, Operational Leadership; and, Compliance Issues and Procedures.

Given the numerous recommendations made by the Committee in 2008-2009, we have limited our recommendations this year to issues that require an annual renewal of commitment.

Specifically,

_The Committee recommends that the University continue to participate in both the FLA and the WRC for the immediate future particularly given their capacity and expertise in evaluating complaints, conducting investigations and developing tool-kits and trainings for licensees._

Looking forward to future challenges, we suggest that the Committee be directed in the upcoming year
• to continue providing review and recommendations regarding the U-M’s participation with the CLC’s ER6 initiative; and,
• review the extent to which a code and monitoring programs based in the context of licensing apparel are sufficiently flexible and knowledgeable to address the widening range of products subject to licensing and the growing overlap between goods subject to licensing and to procurement.
Report of the Committee

The President’s Advisory Committee on Labor Standards and Human Rights advises the University concerning policies and practices to ensure that corporations engaged in the manufacture of licensed goods, bearing the University of Michigan name and/or logos, are not engaged in unlawful or unconscionable labor practices. This year, the Committee has representation from LSA, the Schools of Business, Public Policy and Public Health, the International Institute, and student groups including SOLE (LSA).

In 2009-2010, in accordance with the charge to the Committee by the President, we have
- worked with the CLC to enhance the University’s approach to code monitoring and
- sought to enhance academic opportunities for students to improve their understanding of human rights issues in international labor.

This year was particularly noteworthy given the historic agreement between Russell Corporation and workers from Jerzees de Honduras in Honduras, that re-opened a closed factory and transformed relationships between workers and management within this organization.

As we noted in the 2008-2009 report, the initial stage of articulating the University’s commitment to labor standards and human rights has been completed including development of a code of conduct, an effective working relationship with our monitoring bodies the Fair Labor Association (FLA) and the Workers Rights Consortium (WRC), and relevant contract language for our licensees. As the University moves into its second decade of our engagement with this issue, we are now faced with ensuring that our commitments go beyond a presumption of compliance to conducting proper due diligence. Emerging issues for the University include review of the extent to which a code and monitoring programs that were based in licensing of apparel are sufficiently flexible and knowledgeable to address the widening range of products subject to licensing and the growing overlap between goods that are subject to licensing and to procurement.

During this academic year, the Committee has met monthly with additional meetings scheduled as necessary to meet with representatives of the CLC to discuss the Elevated Responsibility Program.

I. Educational Leadership:

In 2008-2009, the Committee was asked to consider how best to leverage the resources of the University to advance understanding of the issues involved in globalization and labor and to inform decision-making by the University while promoting education, scholarship, and campus discourse about international labor rights. Several recommendations were made in the 2008-2009 report as to how to advance this objective. We summarize our work towards addressing these recommendations below.
Recommendation I.b: The Committee recommends that a web-based searchable database be developed to increase visibility of existing curricular opportunities. A model of such a database is the one created for the Graham Environmental Sustainability Institute on environmental issues which covers course listings and faculty. The database should be broadly encompassing of the overarching themes of social justice/human rights while clearly identifying courses relevant to specific sub foci such as labor rights. Such a database ought to be developed in collaboration with the unit identified to be the home for the Committee’s educational mission.

A review of the curriculum was undertaken in Summer 2009. A Curriculum Guide was created and posted on the LSHR web site (http://www.ilir.umich.edu/CoLSHR/ click on Curriculum ). The guide is organized by topic (globalization, human rights, labor standards and social justice) and by level (undergraduate and graduate). Links have been made to other organizations on campus to increase the utility and visibility of the guide. The Guide will be updated before the start of the Fall 2010 semester.

Recommendation I.d: The Committee recommends that investments be made in developing/extendng up to two country-specific internship opportunities for interdisciplinary teams of graduate/professional school students that provide opportunities in organizations involved in activities relevant to the themes of labor standards and human rights.

In collaboration with Brad Farnsworth and the Center for International Business Education a pilot internship program was initiated in Bangladesh for graduate students with co-funding from LSHR and the Center for International Business Education in Summer 2009. Two interns were placed with a non government organization where they examined agricultural workers rights and female workers rights. Given the success of our pilot experience, we continued the program in 2010, initiating the request for applications in early Winter term. We received 25 applications from students of law, business, public policy, public health, natural resources, and social work. Six applicants were interviewed and placements were awarded to one Law and one Business student. Placements were arranged in local offices of the WRC and of the AFL-CIO. These organizations share office space in Dhaka.

Funds for continuing and expanding this internship program were requested as part of the Title VI applications submitted this year by the Centers for International Business Education, South Asia, and South East Asia. If fully funded we would hope to place two students per summer in Bangladesh and two students in Cambodia (building on the long-term engagement in that country by the UM Cambodia Law Project). As of the time of this report we have received word that the Center for International Business Education’s Title VI application has been funded. We appreciate the letter of support from the President that was included in this application. The applications of the other two Centers are still pending.
**Recommendation I.e:** The Committee recommends that the Committee enhance public dialogue on these issues by organizing/sponsoring one major symposium each year in collaboration with the unit providing an institutional home for the educational mission of the Committee and relevant partners. In addition, the Committee should continue to co-sponsor student organized lectures relevant to the Committee’s mission.

In collaboration with the Center for Ethics in Public Life we sponsored one Symposium entitled “Sweatshop Labor & Codes of Conduct: from Form to Function” with participants from Knights Apparel and the CLC. Although a very productive engagement, attendance was low and the Committee has suggested that in the future we sponsor such symposiums only when a student group takes leadership to ensure an audience.

**II. Operational leadership:**

The Committee was asked to promote U-M’s leadership in pursuing fair labor practices and human rights in licensing operations with specific attention to the new initiative “Elevated Responsibility” undertaken by the CLC.

**Recommendation II:** The Committee recommends that the University move towards increased engagement with and review of licensees’ efforts to monitor compliance throughout their supply chains.

**Recommendation II.a:** The Committee recommends that the University work closely with Liz Kennedy and the CLC over the course of the coming year as they develop their Expanded Corporate Responsibility Services Program, specify the level of increased engagement we expect at the licensing level, and assess the financial/staffing costs of conducting this enhanced review in-house versus through the CLC.

The Committee met with CLC to discuss its proposed new initiative on Sept 23, 2009. The “Elevating Responsibility Program” (ER6) would build evaluation of code compliance directly into schools’ licensing programs as part of the application process and within the license agreements. In September, three other large schools had expressed interest in participating in the program while several other schools expressed a need for more time to work through institutional decision making processes. The program is a multi-phase project that would eventually include training and capacity building components. Given the number of questions regarding details and costs of the fully implemented program, the CLC proposed initiating the program incrementally, beginning
with a pilot program that would permit opportunities for evaluation of its impact on licensing programs.

The CLC proposed to implement the assessment tool only, for use in licensing processes, given participation of four schools. The sense of the committee was that the UM should participate at the level of $18-20,000 in the CLC ER6 pilot project and review the impact on our licensing program. This additional cost was absorbed by the licensing program. The Committee noted that by signing on to the program in the fall term, all of our licensees would face this new program with a year, UM would have the chance to directly shape the program’s development, and signing on would reduce the need for UM to directly review compliance of its own licensees, as is our only option currently with the FLA assessment tool.

Discussion of the CLC program raised a series of questions that will require monitoring and continued review:

1) whether there would be any lost revenue in the early year(s),
2) if ER6 would replace the FLA’s assessment program,
3) would workers at the supply level gain more protections,
4) how would its effectiveness at the factory level be measured?
5) what percent of royalty revenues should the University pay to support compliance activities (currently it is approximately 2.5% considering dues payments to the FLA, WRC and additional fees to CLC for the pilot ER6 program).

Committee agreed that this program would provide a welcome addition to the pool of information available when the committee is asked to review a company’s labor standards and that the triangulation effect with the FLA and WRC could be advantageous. Acknowledging the number of company’s who do not yet have well articulated compliance programs, the Committee also recognized that the ER6 could be the push that companies need to develop their monitoring systems as well as their company corporate responsibility agenda. Participation in this program helps ensure that the University of Michigan continues to provide leadership in this arena. Through our participation in the pilot program for ER-6, we can expect the creation of an assessment tool, administration of the tool to all companies seeking or renewing a license, and a report on the results of the assessment experience.

In March, K Ablauf reported on the first round of the annual UM licensee renewal process under this new regime. Of the 85 companies up for renewal, 57 submitted successful applications. Of the 85, 16 would not have been renewed based on royalties (of which 9 also did not respond or had poor quality of response to the CR questionnaire) and 1 company chose not to continue pursuing collegiate licensing. Of the remaining 11, 6 did not respond to the CR questionnaire and 5 had poor quality responses and thus were not renewed.

K. Ablauf reported to the Committee that some changes are being implemented for the next group of renewals in order to ensure licensees are aware that a new component of
The renewal process exists and that they should identify the appropriate people to complete the questionnaire within their organization. The addition to the renewal packet of the compliance questionnaire added some time pressures to companies. Several companies had delegated the packet to specific employees without reviewing it first and noting the questionnaire. Thus some companies sent the questionnaires to individuals who did not have the knowledge to complete them. This learning curve is to be expected as the program develops.

The ER-6 program was developed following recognition by the Committee in 2006 that more proactive engagement was needed to ensure compliance with our code of conduct following the report of the USAS/WRC proposed Designated Suppliers Program. To review, the LSHR committee discussed the DSP in 2005-2006 and subsequently wrote a letter to President Coleman recommending that the University not endorse the DSP program. The committee also recommended developing protocols with other universities and external groups, including the FLA, WRC, and CLC, to enhance monitoring and adherence to our code of conduct. The DSP program is currently under review at the Antitrust Division of the U.S. Department of Justice as USAS/WRC seek a favorable Business Review Letter. The committee noted the number of questions and issues brought up in the prior committee report on the DSP that still require resolution in addition to the antitrust issue. It is also true that the historic and transformative agreement between Russell and workers in Honduras would not have taken place if we were operating under a DSP type program.

We undertook a formal review of the annual reports of these two bodies to assess the extent to which each organization meets its objectives and how well those objectives align with the international ones. The Committee should also continue to evaluate the international compliance activities. The impact of particular cases like Russell provides specific evidence of its effect. As the world of licensing and monitoring grows more complex, the Committee acknowledged the need to continuously review the extent to which each organization meets its objectives and how well those objectives align with the international ones.
work the FLA does which goes beyond the scope of its collegiate efforts and the FLA’s progress with smaller licensees.

We requested and reviewed justification for the fee structures of each organization. The University continues to benefit from its memberships in both the Fair Labor Association (FLA) and the Worker Rights Consortium (WRC), two complementary organizations. While the FLA generally focuses on internal and external monitoring, developed in consultation with companies, the WRC focuses on addressing problems identified through complaints from workers. Both approaches build company compliance from different vantage points and this dual strategy helps to establish a system of checks and balances in our evaluation of code compliance complaints. UM has been affiliated with both since their inception approximately 10 years ago and we continue to see value in maintaining both associations because of the complementary information they offer on licensee issues. The Committee continues to support the following 2008-2009 recommendation.

**Recommendation II.c:** The Committee recommends that the University continue to participate in both the FLA and the WRC for the immediate future particularly given their capacity and expertise in evaluating complaints, conducting investigations and developing tool-kits and trainings for licensee.

Committee members noted that consideration should be given to licensing fees covering the entire cost of monitoring since the benefits of licensing primarily serve the athletics program and not the university as a whole, although licensing trades on the name of the entire University.

**Russell Athletics and Jerzees de Honduras.**
In March 2009, the Committee recommended that Russell Athletic’s license not be renewed. Their recommendation followed investigations and reports from both the WRC and the FLA and the closing of the factory in Honduras on January 31, 2009. The case was complex and made more complicated by the economic crisis. For the Committee, one of the most troublesome aspects of Russell Corporation’s actions regarding the Jerzees de Honduras plant is that they failed to apply lessons presumably learned from a previous similar encounter at this plant and another facility, Jerzees de Choloma. The Committee furthermore concluded that even if top management at Russell firmly and strongly believed in respect for every human being and respected the right to association, they did a poor job of communicating those ideals to people at the two plants and of implementing/enforcing appropriate practices. Our recommendation was accepted and the decision made not to renew the license effective March 31, 2009.

In November 2009, an historic agreement was announced between Russell Athletic/Fruit of the Loom and the union representing Jerzees de Honduras (JDH) workers. In addition to opening a new unionized factory and agreeing to rehire JDH workers, Russell
also recognized its workers' rights to freedom of association at the company's other Honduran plants. Of particular interest are steps the Company has taken to redefine relationships and improve communication between workers and management. This settlement is likely to have far reaching effects in Honduras.

With the economic downturn and pressure from universities after it closed its Jerzees de Honduras a plant, the company lost contracts with 75 schools. These pressures forced it to lay off 15,000 workers and shut down ten plants. Russell has opened the new plant in Honduras. Jerzees Nuevo Dia is a multipurpose factory which when fully staffed will employ approximately 750 workers.

Finally, the Committee suggests that the University begin looking forward to future challenges. We suggest that the Committee be directed in the upcoming year
- to continue providing review and recommendations regarding the U-M’s participation with the CLC’s ER6 initiative; and,
- review the extent to which a code and monitoring programs based in the context of licensing apparel are sufficiently flexible and knowledgeable to address the widening range of products subject to licensing and the growing overlap between goods subject to licensing and to procurement.