Labor Standards and Human Rights Committee  
April 7, 2004  8:30-10:30 am  
2609 SSWB

Minutes

PRESENT
Kristen Ablauf, Ona Hahs, Sioban Harlow (chair), Heather Johnson (ex-officio), Veronica Johnson, Kristin McRay, Rosa Peralta, Larry Root, Lisa Stowe

ABSENT
Tim Fort, Katherine Terrell

1. Review and approval of minutes (5 minutes)
   The committee approved the minutes from the March 26 meeting.

2. Update on April 8th Panel (5 Minutes)
   - April 8th 6:00-8:00 pm SSW conference room (1840). “Organizing Maquila Workers in the US/Mexico Border Area

3. Wage Disclosure Discussion
   Kristen Ablauf reported on her initial informal contacts with Licensees. She contacted 10 of the top 20 U-M licensees (all apparel companies except for one) and inquired whether they felt that providing wage information would be feasible and what concerns they might have (legal or otherwise). She had received 5 responses to date, one said it wouldn't be a problem, others willing to provide further thoughts on the issue after having a chance to consult their legal departments, and one was traveling and said would get back to her. She did not ask the companies how they felt about this information being made accessible to the public, but will follow up with this question.

   Action Item- Kristen Ablauf
   - follow up with licensees about making wage information public

Stan Bies informed the group that the General Counsel’s office had spoken with Nike regarding possible anti-trust concerns related to public wage disclosure. While Nike voiced concerns, the GC’s office did not initially find anything persuasive in Nike’s argument. A more recent communication from Nike suggests there may be some basis for concern, and the GC will ask for review of the issue by an anti-trust lawyer. No clear case for an anti-trust issue that should prevent the university pursuing wage disclosure appears to have been made, but more review is necessary. Stan also discussed the importance of the university approaching licensees in a friendly way (without legal departments and/or third parties) and of discussing with them what they think may be the best way to proceed with getting the information from their suppliers.

Rut Tufts, Executive Director of FLA and Kathy Stevens FLA University Liaison joined the call at 9:00 and addressed questions previously sent by the committee. FLA external monitoring covers 3% of factories and includes factories presumed to be at highest risk. 19% are found to be noncompliant. Wages are examined and often are not getting the minimum wage. FLA is interested in learning more about the problem of deceit. Problem is complex as it is difficult to adjust for benefits received and a common protocol is needed to determine how to factor benefits systematically across the range of benefit structures. Acknowledges the importance of the theory of wage disclosure but need to clarify what the actual process would be to make it a reality. From a pragmatic perspective, it will be easy for those large licensees who have a presence in the supplier factories. It will be much more difficult for the mid-sized licensees to obtain and we are likely to get problematic information. What is the process of verifying information. Rut discussed the fact that in many cases, licensees may have no way of knowing exactly where their suppliers’ factories are physically located. One will usually only get accurate information from a small percentage of suppliers (Cat. A and sometime Cat. B suppliers), while the majority are smaller, Category B &C suppliers, whose reporting is often inaccurate/difficult to check for accuracy. Most Category A and some B suppliers already have some form of compliance in place. Internal monitoring requires verification of wage data. FLA does not compile results of internal monitoring, but rather responds to complaints to existing situations and then tries to find solutions to disputes. Category A and B licensees have to have a compliance program but this is a relatively small part of the business. FLA has just hired someone to address the issue of compliance programs for category C licensees. Rut suggested that licensees will not want to post information they cannot verify.

Sees pros of wage disclosure as:
   - if factories post their wage info, workers can compare their pay checks to what is posted
   - it becomes an important opportunity of engagement between factories and licensees, which is a requirement of the FLA

In response to the question of what might be the best strategy/ use of university resources?
   - Focus on licensees that are making the most for the greatest effect, for although they do not have the most violations, they are the most visible
   - Engagement with factories and educating workers on their rights (which will better allow them to exercise their rights)
Scott Nora, executive Director of the WRC joined the call at 9:30 and addressed questions previously sent by the committee. WRC see’s two main advantages of wage disclosure. It will encourage compliance in an area where there is widespread non-compliance particularly by smaller companies and those without active compliance programs. And it will create a culture of compliance. Such a program is not duplicative of current WRC/FLA activities.

WRC sees wage disclosure as one strategy amongst others, but feels that it will be fairly easy and effective to implement. Does not see it as a heavy burden as licensees should have been collecting this data (in theory) to ensure compliance with the code. Data collection and disclosure system will not probably require reporting more frequently than once a year, and possibly every 18-24 months. Issues companies may or do have with making this information public include possible anti-trust issues, but Adidas does not seem terribly concerned on this point, and concern that data to be understood in appropriate context by public. Larger licensees adopting this policy will hopefully bring some pressure to smaller licensees to have dialog with their producers (who more likely are not in compliance). Will ask whether a good faith effort is being made to obtain accurate data. Understand that some data will be inaccurate. Will require effort by small and mid-sized companies. Will enable WRC to do a more effective form of spot checking and can provide a context in which to make use of current discussion with workers that occur when no full scale investigation has taken place. Focus will be on remediation Wisconsin timeline was discussed.

The committee then discussed these two reports and turned to a discussion of the proposed recommendations. After comparing language in both proposals, the committee approved a set of recommendations to be sent to the president (attachment). A quorum was present and voted in favor of the proposal.