Labor Standards and Human Rights Committee  
January 27, 2006 12:00 – 1:30 pm  
ROOM: 2609 SSWB

DRAFT Minutes

Attending: Sarah Bookbinder, Kevin Ferrell, Diana Parker, Rosa Peralta, Steven Ratner, Larry Root (chair), Katherine Terrell, Ada Verloren (staff to committee), Veronica Wilkerson-Johnson (conference call).

Absent: Kristen Ablauf, Mary Gallagher

1. Review and approval of minutes
   The committee approved the minutes from January 13, 2006.

2. Discussion of USAS Designated Supplier Proposal
   The committee structured its discussion of the USAS Designated Supplier Proposal as follows:
   
   · Problem addressed
   · Overview of the proposal (approach and rationale)
   · Elements of the proposal
   · Next steps

   The meeting started with a review by the chair of the proposal and the key issues that the committee had begun to discuss.

   Problem addressed

   Violations of codes of conduct continue to exist because
   
   1. too many factories are producing for the collegiate market, making monitoring too difficult;
   2. the structure of industry sourcing leads suppliers to try to cut costs, which exerts a downward pressure on wages and code compliance;
   3. factories generally produce only a small quantity of goods for the collegiate market, making it difficult to achieve stability and a lasting impact of code standards.

   USAS designated supplier proposal (DSP) would change how collegiate goods are produced/sourced by
   
   1. limiting the number of factories that produce for the college market to selected “designated suppliers”;
   2. requiring designated suppliers to:
      a. pay workers a “living wage”-- in the WRC example, income from a 40-hour week has to be sufficient for paying for all reasonable needs of the worker and two dependents;
      b. have a legitimate labor union/other representative employee body;
      c. show by the end of the first 12 months after the grace period, that 2/3 of its products are made for licensees and/or other buyers committed to the same labor standards;
   3. certifying designated factories, using the WRC or its representatives to verify compliance through unobstructed access to these factories;
   4. requiring licensees to pay designated suppliers enough so that they are able to meet these requirements;
   5. requiring licensees to phase in the program over a three-year period.

Issues raised in discussions re USAS proposal

Rationale of the approach

1. DSP shifts collegiate pressure from apparel workers more generally to subset of factories involved in collegiate production.

   pros: more realistic monitoring; positive impact on those in DSPs; could have carryover effects for others in terms of improved standards/expectations; greater confidence among consumers that products are produced in accordance with code

   cons: decrease attention to codes in non-DSP factories; greater disparity between those working in DSP v. non-DSP factories (creating an “aristocracy” in the labor market); may hurt workers who live in repressive political environments where organizing or NGO contact can be dangerous
2. DSP changes how licensees select and work with suppliers.

pros: improves monitoring effectiveness by reducing the number of suppliers to the collegiate market; limits licensee sourcing of collegiate apparel to DSP factories that are certified as meeting code expectations; provides mechanisms for licensees to have existing suppliers certified by the WRC as “designated suppliers”

cons: changes basis of sourcing decisions in ways that may not meet other aspects of the licensee-supplier relationship (quality, production timing, flexibility, etc.); WRC may not be acceptable to some companies as sole certifier of factories

3. DSP amends university codes with a “living wage” requirement.

pros: sets wages based on the needs of the worker and family; transfers more corporate revenue to workers; removes wages from competition among suppliers for business

cons: little practical experience in administering apparel wages independent of the local labor market; introduces large wage differences between DSP and non-DSP factories (potential problems with how to allocate DSP jobs)

Logistical/implementation questions

a. Number of “designated factories” needed?

b. WRC’s capacity for fulfilling its role and role/selection of additional NGOs/monitoring agents

c. Determining prices paid to suppliers

d. Process/collaboration needed among licensees to ensure 2/3 of factory production is for collegiate market

e. Role of collective bargaining in proposed environment (e.g., wages bargaining when there is a living wage calculation and costs are automatically passed on to licensees?)

f. How can freedom of association be forwarded without unduly punishing workers in repressive regimes and recognizing that there is a difference between de jure and de facto freedom of association?

g. What are the consequences of non-compliance, for example when a licensee uses a factory that is below standard, or the factory has not been designated?

The committee recognized that USAS had taken on the hard challenge of creating a response to problems with code compliance in factories across the world. The committee understood that implementation of the DSP would have to be a collective effort of universities, depending on a sufficient number of universities indicating their commitment to adopt the overall policy.

In discussing the DSP, committee members expressed some concern that it would go against market forces to make the proposal happen. While the DSP may have the potential to make life good for a small number of workers who will have the benefit of higher wages (assuming that there is no loss of sales of university logo goods), it is uncertain whether there would be spill-over effects for the large number of workers who work in competitive environments. The committee discussed possible logistical problems and even some negative impacts (such as corruption that might arise in the competition to get jobs paying twice the local norm, and potential impacts on factory efficiency).

Committee members recognized that compliance with codes of conduct is especially problematic in smaller companies with unacceptable labor practices. However, more efficient monitoring is needed to ensure freedom of association in both large and small companies. Several suggestions were offered. Some members of the committee thought it might be useful to devise mechanisms to help companies improve labor practices rather than tying their hand. Another useful practice might be for universities to certify companies who display good corporate citizenship. An alternative suggestion was to make the code more explicit so that corporations know exactly what criteria to follow for monitoring.

The next meeting of the committee will be on February 10, 9:00 a.m. The committee will discuss what information is needed to help move toward a recommendation on this proposal, including a possible public workshop to address these issues.