Minutes

Attending: Greg Cohen, Aria Everts, Kevin Ferrell, Mary Gallagher, Marian Krzyzowski, Ana Quinones, Steven Ratner, Larry Root (chair), Ada Verloren (staff to committee).

Absent: Kristen Ablauf, Katherine Terrell.

1. Designated Supplier Proposal (DSP)

   The committee spent most of the meeting talking about the changes in the DSP and whether these changes suggested that the committee wanted at this time to re-visit its decision about recommending that the University not endorse the proposal.

   The changes to the DSP were introduced in the October meeting. The committee reviewed and discussed these changes, including the following:

   1. Freedom of association: DSP factories are not required to have a union, but must take the steps necessary to ensure that workers at the factory can freely exercise their associational rights.
      
      Committee members recognized ongoing problems with implementing this requirement in countries such as China and Vietnam. It was noted that the freedom of association provision of the University’s current code of conduct raises concerns about factories in these countries.

   2. Fair price standard: In the event of a dispute, the matter will be resolved through binding arbitration between the licensee and the factory, with the arbitrator jointly agreed upon by both parties—the WRC has the right to observe and provide input to this process.
      
      Committee members noted that this was an improvement over the previous approach, which appeared to place major control and responsibility on the WRC staff. Concerns were expressed, however, that arbitration would not settle disputes in a timely manner. Within the context of licensee-factory relations it seems that it would be difficult to achieve a finding before the order had to be produced. In many instances, arbitration was likely to happen after the fact. Other questions were also raised. Most labor-related arbitrations focus on the application of laws/rules. Are there models for arbitration that focus on assessing a range of technical aspects of the production process and economic factors? Who will pay the cost of the arbitration? How likely is it that a factory will complain if it hurts its relationship with the licensee?

   3. Compliance assessments: Licensees and factories may appeal a WRC compliance decision to a DSP appeals panel.
      
      Committee members were concerned about the interpretation of this amorphous standard, which allows a great deal of interpretive room. What does compliance mean in the context of a country like China? Committee members also expressed doubts about enforcement mechanisms.

   4. Obligations of small licensees: Small licensees (with sales below a specific dollar amount—to be determined) will be exempted from the DSP.
      
      The committee thought that this was a useful change. It was noted that the cut-off for what would define a “small” licensee has not yet been decided.

   5. Support of previous gains: Large licensees who contracted at any time since 2001 with any of five specific factories identified by the WRC as locations where university codes of conduct have achieved “major labor rights improvements” will be required to contract with those factories in the first year of the program.
      
      The committee discussed the rationale for this new requirement and whether it would penalize the companies that had continued to use these licensees after others had not. While the committee recognized the objective of this change, a question was raised about whether the favored position for these individual factories over others is justified.

   6. Two-thirds requirement: In order to qualify for the DSP, a majority (reduced from two-thirds) of a factory’s production must be for the university market. It would also be possible for a licensee to obtain an exemption if it can demonstrate that the majority of its university logo production is of products subject to such extreme seasonal sales fluctuation that it is not feasible for a factory to devote the majority of its annual production to such products.
      
      This change arose from the expression of concern from licensees that collegiate goods almost always represent a small proportion of a factory’s production. Committee members wondered whether the change from a two-thirds requirement to one-half, while a move in the direction suggested by the concerns of licensees, would address the situation in a significant manner. It would be helpful to hear from big, medium, and small licensees about how difficult it would be to meet a one-half requirement.

   7. Length of licensee-supplier relationship: A licensee will be required to have a long-term contract with each DSP factory it selects (operationalized as three-year contracts, with an additional year—at no less then 50% of the original level—if the contract is not to be renewed).
This new requirement appears to have been in response to the WRC’s concerns that other changes have weakened the original proposal. Committee members noted that this longer-term requirement would be a major change in the sourcing relationship and wondered whether requiring a four-year commitment to a factory would work. The WRC plan recognizes that there should be a process for opting out of this long-term relationship, but the criteria for such a termination and the process that would be followed are not specified.

8. Living wage: Unchanged from original, but if a licensee, factory, or union believes that the WRC’s determination of a wage level is inaccurate, an appeal may be made to an expert panel.

The committee recognized that most multinational companies pay the prevailing wage, which is usually well below what outside experts see as a “living wage.” Questions were raised about the challenges of introducing a pay scale that was 2-3 times the prevailing wage. Would this lead to unintended impacts on employment patterns and the allocation of jobs (i.e., would this be a very strong incentive for favoritism/corruption in the allocation of these jobs)?

Based on the discussion, the sense of the meeting was that we should continue to monitor developments with the DSP. The committee expressed interest in hearing about the responses of licensees to the changes and also in learning about developments regarding the anti-trust issues.

2. Plans for conference on supply chain issues

As part of the educational goals, which have been part of the President's charge to the committee, the committee will discuss having a session/conference/meeting about supply chains and the cross-national impacts of large, multinational companies.