President’s Advisory Committee on
Labor Standards and Human Rights
University of Michigan

Report to the President
2007-2008

Executive Summary

During the 2007-08 academic year, the President’s Advisory Committee on Labor Standards and Human Rights ¹ addressed:

1. Strengthening the monitoring and enforcement of the code of conduct

   In response to the President’s charge, the committee worked with the University’s licensing office to incorporate language into our CLC contract requiring University licensees to be able to document how they monitor the labor code of conduct. The University also participated in the FLA’s Enhanced Licensee Pilot Program, which was created to build the capacity of licensees to enforce labor codes. In addition, the University participated in a CLC initiative to incorporate code of conduct information into the basic licensing approval process.

2. Developments of USAS’s Designated Supplier Proposal (DSP)

   The University continued to monitor developments in the DSP. In January, the WRC reported that it withdrew its request to the Department of Justice for a business review letter concerning the program and that it will not be considering implementation of the DSP before early to mid-2009.

3. “Fair trade” model and university apparel

   The committee discussed the “fair trade” model and how it might apply to collegiate licensing. Three models were discussed: an initiative by MSA’s Peace and Justice Committee; Counter Sourcing’s approach to profit sharing; and a potential new initiative by a major licensee creating a “free trade” product for both the university and professional sports markets.

4. Complaints concerning specific factories

   The committee reviewed allegations of violations of our code of conduct and, in some cases, remediation in several factories, including: Jerzees de Honduras and Jerzees Choloma, two factories owned by Russell Athletics; a New Era Cap facility in Alabama; the Junxingye factory in China; PCCS Garment and Beauty Silk Screening in Cambodia, and Thai Garment Export in Thailand.

5. Public meeting on labor rights

   The committee organized a public lecture and discussion, "Anti-Sweatshop Efforts in a Global Supply Chain," featuring a presentation by the head of adidas’ Social and Environmental Affairs for the Americas.

¹ The 2007-08 committee was chaired by Lawrence Root. Committee members included: Kristen Ablauf, Jason Bates, Steve Brunn, Mary Gallagher (Winter semester), Sioban Harlow, Marian Krzyzowski, Gregory Marquis, Ana Quinones, and Steven Ratner (Fall semester). Ada Verloren served as staff to the committee.
During the 2007-08 academic year, the President’s Advisory Committee on Labor Standards and Human Rights worked on strengthening and supporting compliance with our labor code of conduct for licensees, as well as responding to reports of violations and developing public information sessions concerning improving international labor standards.

**Strengthening the monitoring and enforcement of the code of conduct.** Based on the directions provided by the President, provisions were added to the University’s licensing agreement requiring that “licensees adequately document how they monitor the code of conduct in their facilities and those of their suppliers” (letter from President Coleman, May 7, 2007). During the summer, the committee and the director of Licensing office worked with the Collegiate Licensing Company (CLC), adding the following language to our licensing agreements:

> Throughout the term of the License Agreement, Licensee agrees to comply with the University’s Code of Conduct and to ensure that all suppliers also comply with the Code. Licensee agrees to document the nature and extent of all activities that it undertakes to ensure its compliance with the Code of Conduct. The University may request information at any time during the term of the License Agreement concerning the Licensee’s monitoring of its compliance with the Code of Conduct. Licensee will be expected to forward all requested information to the University in a timely manner at the Licensee’s expense. Information received shall be treated as confidential, within the legal limits of confidentiality as may be required by open records laws of the State of Michigan. Failure to comply with this condition to the License Agreement could result in the suspension or cancellation of License Agreement. This requirement does not constitute an exception to or substitute for any requirements set forth by the FLA or any other contractual requirement for licensees.

With this contractual language in place, the committee began exploring ways to collect and manage this information.

A pilot data collection effort carried out by the committee last year, with the involvement of four other universities with major licensing programs, revealed some of the complexity involved in collecting monitoring information. Following that data collection effort, the Fair Labor Association (FLA) began its own pilot program to collect information about monitoring by licensees and to help them build their capacity to provide assistance in improving efforts to achieve compliance. The University was an early supporter of and participant in this initiative, the Enhanced Licensee Program, and it was seen as a possible means for systematically collecting and synthesizing information about monitoring efforts of individual licensees. Representatives of the committee participated in the FLA’s planning efforts, including attending an FLA training session for participating universities.
The Enhanced Licensee Program is an effort to build the monitoring/enforcement capacity of the large number of mid-sized and small licensees who may have little experience with implementing a labor code of conduct in their factories or suppliers. The first stage in this program is licensee self-assessments on compliance, which provides a composite score, on a scale of one to five, for six aspects of compliance: adopting of a code, communicating the code to factories/suppliers; training of compliance staff, conducting internal monitoring, collecting and managing compliance information, and remediating violations of the code.

Ninety licensees agreed to participate in the Enhanced Licensee Program pilot. A large proportion of these companies have licensing arrangements with the University, although some do not. At this writing, more than fifty of the pilot licensees who have CLC contracts covering UM have completed their self-assessment and received their composite scores and instructions for how to improve their monitoring performance. The results of the self-assessments reveal wide variation in how licensees are currently engaging in monitoring.

The committee had considered the idea of using this FLA pilot as an efficient way to collect information about the monitoring activity of our licensees, with the goal of integrating this information into our licensing decisions. Now that the FLA pilot is underway, however, it is clear that use of these data would not be appropriate for the University’s goal of assessing compliance among our licensees. Those licensees participating are doing so with the goal of improving their capacity to monitor the code. Their participation is voluntary, with the understanding that their responses would not be used to make decisions that might adversely affect them.

Given this situation, the University, along with several other large schools, is working with the Collegiate Licensing Company (CLC) to add a “Corporate Social Responsibility & Supply Chain Compliance Questionnaire” to the standard licensing agreement. This approach would make information about monitoring of labor standards an integral part of the licensing process. The questionnaire will include information about the company and its sourcing structure as well as its approach to code of conduct monitoring. As is the case with the FLA effort, the CLC plans to provide an overall rating or grade to the University to indicate the adequacy of the monitoring efforts by a licensee (or potential licensee). This information could then be used by the University in licensing decisions.

Implementation of the CLC questionnaire as part of the licensing protocol will achieve the goal of creating a procedure for the systematic collection of information about how licensees are currently monitoring adherence to our code of conduct. Based on the experience of our own survey and the FLA’s Enhanced Licensee Program, we can expect that significant development efforts will be needed for many licensees to move from agreement to abide by the code to systematic and effective efforts to make this a reality. The capacity building initiatives by the FLA provide support for these improvements and the institutionalization of specific questions about monitoring of the code of conduct in the licensing decision creates a firm basis for ratcheting up attention to this aspect of code compliance. Once the CLC initiative has been implemented, the committee will be in the position of helping to develop protocols for how considerations of code of conduct monitoring capacity are integrated into the basic licensing decision.
Update on the status of USAS’ Designated Supplier Program (DSP). The committee has continued to monitor the development of the DSP. This proposal by United Students Against Sweatshops was a major topic of committee discussion in the last two years. In order to address concerns about possible anti-trust violations associated with the program, in January 2007 the WRC submitted a request to the Department of Justice for a “business review letter” indicating that in the Department’s view, universities participating as licensors under the DSP would not “constitute an reasonable constraint” under Sherman anti-trust provisions. In a January 22, 2008 message, the WRC informed universities that it withdrew request for the Business Review because it seemed clear that the Justice Department would not grant their request for a letter. The WRC may resubmit the letter at a future date, but they note that “DSP implementation will not be possible before early to mid 2009.”

“Fair trade” model and university apparel—The committee discussed potential applications of the fair trade model to the situation of university apparel. The fair trade model, which has tended to focus on agricultural products (e.g., fair trade coffee), seeks to build a more direct link between the producers and the eventual customer, particularly with the use of cooperative structures that allow farmers to develop cooperatives for the marketing of their products, with the belief that creating democratic governance structures will ensure that the members have a fair share of fruits of their labor. Aria Everts, a former committee member, briefed the committee on the MSA Peace and Justice Committee’s “Fair Tees” initiative, which provides campus student groups with sources of tee-shirts from small cooperatives and other responsible producers. These small producers are not currently licensed to use UM logos, but the University’s licensing office has indicated that it would be very open to creating ways to support this effort.

The committee also hosted Joe Falcone, the president of Counter Sourcing, a new company applying the fair trade model to university apparel. Counter Sourcing is developing a model in which workers and work organizations receive a share of the revenue earned. It is targeting the university bookstore market, seeking to provide a “fair trade” alternative for university goods. Although the scope of university licensing at Michigan goes well beyond the scope of this approach, it does provide an additional potential direction for improving the situation of those working in the production of university goods.

Complaints concerning specific factories. The committee considered a number of factory complaints, including:

Jerzees de Honduras and Jerzees Choloma—Complaints were received about code of conduct violations in these two factories owned by Russell Athletics, a division of Fruit of the Loom. Both the WRC and the FLA were involved in investigating charges. A remediation plan was agreed upon with the company and appears to have been successfully put into place.

New Era Cap Company—The Alabama operations of New Era Cap Company came under criticism for violating the University code of conduct,
particularly for alleged anti-union activities and discrimination. The allegations arose during the same period as a successful organizing campaign at the plant by the International Brotherhood of Teamsters. During this period, New Era and the Teamsters union were negotiating their first contract. Based on a number of reports received, including a report by a University student who participated in a USAS-organized trip to the site, the committee wrote to the human resource director of New Era, expressing our concern about this situation. After a contractual agreement was reached between the union and the company, the complaints were withdrawn.

The New Era situation raised some questions about the role of third parties (such as the WRC, FLA, and universities) when (1) there is an ongoing union-management dispute, (2) when there are official investigations in place (such as by the National Labor Relations Board), and (3) when the parties withdraw their original complaints but there is concern that the originating problems may not have been rectified.

Junxingye factory in China—The National Labor Committee, a labor rights group based in New York City, issued a report in November on deplorable working conditions at Junxingye, a factory making crucifixes that were sold in major churches. They report that the factory also produces medallions, pins, key chains, and memorabilia for several universities, including Michigan. An appendix to the report includes a copy of an order form for a sample block M to be made for Full Start, Ltd., a “manufacturer of promotional items from China.” One University licensee is mentioned in the report as a customer of Full Start, but it reports that it orders packaging material from Full Start, not medallions. Without further information, the committee was not able to determine whether there were licensed Michigan products produced in the factory and, if there were, what licensee was involved.

PCCS Garment and Beauty Silk Screening (Cambodia)—The WRC received reports of excessive use of short-term contracts and health/safety violations in these two factories that supply university licensees. There was an initial WRC report in March 2006 about these conditions. In January 2008, it reported that there has been successful remediation of these problems.

Thai Garment Export (Thailand)—Reports were received by the WRC about concerns about freedom of association and issues of women’s rights (e.g., failure to provide safe accommodations from pregnant workers). The WRC reported in January 2008 that both problems had been remediated.

Public meeting on labor rights. The committee organized a lecture and discussion on November 27, entitled "Anti-Sweatshop Efforts in a Global Supply Chain.” Gregg Nebel, head of adidas’ Social and Environmental Affairs for the Americas provided an overview of adidas' labor standards compliance program, followed by
commentary/observations by Ian Robinson, lecturer (Sociology and the Residential College) and assistant research scientist (ILIR). The presentations were followed by question and answer period.